Budget 2008

THE RIGHT PLAN FOR TODAY & TOMORROW

Fiscal Plan

Alberta

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Fiscal Plan

PRESENTED BY
IRIS EVANS
MINISTER OF FINANCE AND ENTERPRISE
in the Legislative Assembly of Alberta
April 22, 2008

Alberta

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HIGHLIGHTS

HIGHLIGHTS

Budget 2008
THE RIGHT PLAN FOR
TODAY & TOMORROW

The Right Plan for Today & Tomorrow ✧ Highlights

Budget 2008 *moves forward in securing Alberta's future. It delivers on the government's commitments and meets the needs of a growing province.*

KEY ASSUMPTIONS

Alberta economy expected to grow by 3%.

- Commodity prices and financial markets are highly volatile. The US economy is in a downturn. Alberta's economy is expected to continue steady growth of around 3%, due to continued high levels of investment and employment growth.

Wide difference of opinions on energy prices.

- Oil prices are forecast to trend down from record levels. Natural gas prices are forecast to increase and average about Cdn$6.50 per GJ. However, there is considerable uncertainty and a wide range of views on energy prices. Non-government forecasts range from about US$65 to US$110 for oil and from about Cdn$5.20/GJ to Cdn$8.20/GJ for natural gas.

Economic and Fiscal Assumptions

	2006-07 Actual	2007-08 Forecast	2008-09 Estimate	2009-10 Target	2010-11 Target
Oil price (US$/bbl)	64.89	80.72	78.00	74.00	72.00
Natural gas price (Cdn$/GJ)	5.94	5.88	6.75	6.40	6.25
Real GDP growth (calendar)	6.6	3.0	2.9	3.0	3.1
Exchange rate (US¢/Cdn$)	87.9	97.1	98.8	96.0	96.0
Interest rate 10-year (%)	4.20	4.18	3.50	4.45	4.75
CPI (calendar)	3.9	5.0	3.4	2.5	2.2
Population growth (calendar)	2.7	3.1	2.0	1.9	1.9

FISCAL SUMMARY

- **Revenue** is forecast to increase 2.2% to $38.6 billion in 2008-09. Higher resource revenue, federal transfers and personal income tax revenue, are partly offset by lower investment income and corporate income tax revenue, and elimination of health care insurance premiums.

Higher surpluses possible if energy prices stay high.

- **Expense** is increasing 9.7% to $37 billion in 2008-09, to meet the needs of a growing province and provide for the government's priorities for the future.
- **Surplus** is estimated at $1.6 billion in 2008-09, but could be higher if energy prices turn out better than assumed. In-year surplus allocation policy directs one-third of increased surplus to savings and two-thirds to capital spending.

Fiscal Summary [a]
(millions of dollars)

	2006-07 Actual	2007-08 Forecast	2008-09 Budget	2009-10 Target	2010-11 Target
Revenue	38,017	37,757	38,571	37,933	37,988
Expense	29,507	33,726	37,003	37,571	37,789
Surplus	**8,510**	**4,031**	**1,568**	**362**	**199**

[a] Does not include the change in pension obligations.

REVENUE INITIATIVES

- Health care insurance premiums eliminated effective January 1, 2009, saving Albertans and Alberta businesses $1 billion.
- Personal income taxes are reduced by $180 million, including indexing tax credits 4.7% to offset the impact of inflation and enhancing the Alberta Family Employment Tax Credit and various caregiver credits.
- Corporate taxes are reduced by $80 million, including a new Scientific Research and Experimental Development credit to be introduced January 1, 2009.
- New royalty framework starts January 1, 2009, giving Albertans a fair share from energy development.

Albertans and Alberta businesses are the lowest taxed in Canada by a wide margin.

2008-09 SPENDING INITIATIVES

- **Operating spending** is increasing 9.7% to almost $30 billion in 2008-09, to help with growth pressures.
- **Health and Wellness** operating spending is increasing 9.4% to $11.9 billion. This represents about 40% of the total increase in operating spending.
- **Education** operating spending is increasing 4.3% to $5.2 billion including a 9% increase in the class size initiative.
- **Advanced Education and Technology** operating spending is increasing 10.2% to support post-secondary education and students.
- **Seniors and Community Supports** operating spending is increasing 8.8% providing for caseload and cost growth, and increases in various programs.
- **Other ministries** operating spending is increasing 13.8% to $8.3 billion. Initiatives supported include: fighting crime and enhancing community safety; adding child care spaces and services; the new Community Spirit Donation Program and *The Spirit of Alberta* cultural policy; expanded employment and training programs; Land-use Framework and climate change initiatives.

Operating spending increasing 9.7% in 2008-09.

2008-11 CAPITAL PLAN

- **The three-year Capital Plan** supports $22.2 billion in capital projects, an increase of 21% from the 2007-10 Capital Plan. This includes:
  - $6.5 billion for new or upgrades to health and post-secondary facilities, and 59 new schools or modernization projects.
  - $5.2 billion for the provincial highway network, to continue construction of strategic economic corridors and Highway 63 and other improvements.
  - $5 billion for municipal infrastructure support. 2008-09 municipal infrastructure support is 600% higher than it was five years ago.
  - $4.7 billion in other capital support for housing, water and wastewater management, community facilities, environmental and other projects.
  - $0.8 billion as a contingency for possible cost escalation on projects.

Capital spending will reach a record $8.7 billion in 2008-09.

Accountability Statement

The government's Fiscal Plan for the three years commencing April 1, 2008 was prepared under my direction in accordance with the Government Accountability Act and the government's accounting policies. All of the government's policy decisions as of March 25, 2008 with material economic or fiscal implications have been considered in preparing the three-year Fiscal Plan.

The government is committed to achieving the planned results laid out in the Fiscal Plan, which includes the government's Business Plan and Capital Plan.

Iris Evans
Minister of Finance and Enterprise
April 10, 2008

2008–11 FISCAL PLAN

2008–11 FISCAL PLAN

Budget 2008

THE RIGHT PLAN FOR
TODAY & TOMORROW

2008–11 Fiscal Plan
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The Right Plan for Today & Tomorrow

Budget 2008 builds on the actions taken over the last year to manage Alberta's growth. It reflects the commitments made in the 2008 general election. It supports the government's priorities for the future.

Budget 2008 *builds on actions taken to manage Alberta's growth, election commitments and priorities for the future.*

In 2007-08, the government took actions to better manage future growth in Alberta, including:

- a new royalty framework which gives Albertans a fair share from energy development;
- a secure funding arrangement with municipalities that invests $11.3 billion in municipalities over 10 years;
- continued strong support for health, education and social programs;
- funding to address growth pressures and infrastructure requirements, including a *20-year Strategic Capital Plan.*

Budget 2008 builds upon these initiatives and the strategic direction outlined in the Government's Business Plan. Over the next three years, emphasis will be placed on:

- energy development and the environment,
- health care,
- strong, safe and vibrant communities,
- the long-run sustainability of Alberta's economy, and
- the infrastructure required to meet the growth in Alberta's economy and population.

In 2008-09, increased support will be provided for operating and capital programs. Operating spending is increasing by 9.7% and capital spending is increasing by 22%. In addition, the government will fulfill its commitment to eliminate health care insurance premiums, effective January 1, 2009.

Health care insurance premiums will be eliminated effective January 1, 2009.

These policies and initiatives are part of the government's wider strategy to green Alberta's growth, build our quality of life, and create and protect our opportunities.

FISCAL OVERVIEW

Budget 2008 will be Alberta's 15th consecutive balanced budget. A surplus is forecast in each of the next three years. The surplus is estimated at $1.6 billion in 2008-09 and is forecast to decline in the following two years.

Budget 2008 *is the 15th consecutive balanced budget. Surplus estimated at $1.6 billion in 2008-09.*

The actual surplus over the next three years will depend on factors largely outside the control of the Alberta government: energy prices, the Canadian exchange rate and growth in the North American and world economies. *Budget 2008* is based on realistic assumptions about these factors. However, the degree of uncertainty over the next three years is significant.

For example, higher than estimated energy prices could add billions of dollars to revenue while a higher than forecast Canadian dollar could reduce revenue by billions of dollars.

There are significant upside and downside risks to the forecast.

The government's fiscal plan takes into account this uncertainty. The outlook used for major economic factors is within the range of other forecasters. Spending plans are affordable within this context. The Sustainability Fund and Capital Account provide additional protection if economic conditions and energy prices are not as positive as forecast. If conditions prove to be better than forecast, the government has a clear policy for how it will allocate any higher than forecast surplus.

Fiscal Summary [a]

(millions of dollars)

	2006-07 Actual	2007-08 Forecast	2008-09 Budget	2009-10 Target	2010-11 Target
Revenue	38,017	37,757	38,571	37,933	37,988
Expense	29,507	33,726	37,003	37,571	37,789
Surplus	**8,510**	**4,031**	**1,568**	**362**	**199**

[a] Does not include the change in pension obligations.

The forecast of smaller surpluses is based on relatively flat revenue growth over the next three years, reflecting more moderate economic growth, elimination of health care insurance premiums, and relatively flat energy revenue. The revenue benefits of the new royalty structure are partly offset by the impact of a forecast decline in oil prices. If oil prices do not decline but remain at the price forecast for 2008-09 (US$78), the surpluses for the following two years could average about $1 billion a year.

Spending to increase by 12% over three years.

Expense is forecast to increase by a total of 12% over the next three years, with most of the increase budgeted for 2008-09. Smaller increases in the following two years reflect a scaling back in capital spending from a record $8.7 billion in 2008-09 and the operating spending increase matching more closely the growth in population plus inflation.

ECONOMIC ASSUMPTIONS

World Economy. While the deteriorating U.S. economy is expected to act as a drag on growth, continued strong growth in China, India, Russia and other emerging economies should help to sustain global growth at around 4% in 2008. The moderation in world economic growth is expected to dampen upward pressure on oil prices.

United States. The outlook for the U.S. economy has deteriorated sharply since the beginning of the year and it appears to have entered a recession. The difficulties in the housing market are spreading to the broader economy and the impact on financial institutions and credit markets has weakened equity markets. The U.S. Federal Reserve Board and other central banks have slashed interest rates and taken other measures to avert a liquidity crisis. U.S. economic growth will likely remain at between 1% and 2% over the next two years before recovering to 3% in 2010. However, if the economic downturn deepens, it could weaken commodity prices and global economic growth even further.

Outlook for U.S. and Canadian economies has deteriorated.

Canada. The high Canadian dollar and weakness in the U.S. economy are expected to lead to slower Canadian export growth, especially for manufacturers. As a result, Canada's growth is expected to fall to 1.8% in 2008 before gradually strengthening to 3% by 2010. The Canadian dollar is forecast to stabilize around US 96 cents. Slower economic growth in Canada and U.S. may place some constraints on natural gas prices.

Exchange and Interest Rate Assumptions

	2007-08 Actual	2008-09 Budget	2009-10 Target	2010-11 Target
Exchange Rate (US¢/Cdn$)	97.1	98.8	96.0	96.0
Interest Rate – 3 month (%)	3.84	2.50	3.75	4.00
Interest Rate – 10-year (%)	4.18	3.50	4.45	4.75

Alberta. Growth will remain strong but will moderate from recent peak levels. Real economic growth is expected to average 3.2% over next four years driven by high levels of investment, rising exports and solid employment growth. Nominal economic growth will decline from the 8% to 9% range to about 5% by 2010. The increase in population plus inflation is also expected to moderate, declining from a combined 8% in 2007 to about 4% by 2010.

Alberta's economic growth to average 3.2% over next four years.

Alberta Economic Assumptions
(calendar year, percent change)

	2007 Forecast	2008 Forecast	2009 Forecast	2010 Forecast	2011 Forecast
Nominal Economic Growth	8.2	9.0	3.9	5.1	5.0
Real Economic Growth	3.0	2.9	3.0	3.1	3.8
Employment	4.7	2.8	2.0	1.5	1.6
Population	3.1	2.0	1.9	1.9	1.8
Alberta CPI	5.0	3.4	2.5	2.2	2.2

Population and inflationary increases expected to moderate.

REVENUE ASSUMPTIONS

In 2007-08, revenue decreased slightly from the previous year. A $1.3 billion decline in resource revenue and a nearly $0.6 billion decline in investment income were mostly offset by a $1.5 billion increase in income tax revenue. Over the next three years, revenue is forecast to continue to be essentially flat:

- **Energy revenue** is expected to be nearly $1 billion lower in 2010-11 than in 2007-08. Revenue is forecast to increase in 2008-09 due to higher natural gas prices, but decline in the following two years as prices weaken.
- **Non-energy revenue**, excluding health care insurance premiums, is forecast to increase by $2 billion over the next three years. However, the elimination of $1 billion in health care insurance premiums will offset half of the increase.

Elimination of health care insurance premiums will limit overall revenue growth.

Total Revenue
(millions of dollars)

	2006-07 Actual	2007-08 Forecast	2008-09 Budget	2009-10 Target	2010-11 Target
Non-Renewable Resource Revenue	12,260	10,956	11,709	10,712	10,044
Income Tax Revenue [a]	11,228	12,736	12,388	12,625	13,191
Health Care Insurance Premiums	926	982	752	–	–
Other Revenue	13,603	13,083	13,722	14,596	14,753
Total Revenue	**38,017**	**37,757**	**38,571**	**37,933**	**37,988**

[a] 2007-08 includes a one-time positive $551 million corporate income tax revenue adjustment; 2006-07 and 2007-08 personal income tax revenue includes prior years' adjustments.

Oil price forecast at US$ 78 in 2008-09.

Energy Revenue. Despite rapidly increasing oil prices, energy revenue in 2007-08 declined by 24%, or $3.4 billion, from the peak in 2005-06. Over the next three years, higher natural gas prices and the new royalty structure partly offset the decline in resource revenue.

Natural gas price forecast at Cdn$ 6.75/GJ in 2008-09.

Oil prices are forecast to decline from just over US$80 per barrel in 2007-08 to US$78 in 2008-09 to US$72 by 2010-11. Natural gas prices are forecast to increase from Cdn$5.88 per GJ in 2007-08 to Cdn$6.75 in 2008-09 and then decline to $6.25 by 2010-11. However, there is considerable uncertainty and a wide range of views on energy prices. Private forecasts range from about US$65 to US$110 for oil and from about Cdn$5.20/GJ to Cdn$8.20 for natural gas.

Wide difference of opinions on energy prices.

Non-Renewable Resource Revenue

	2005-06 Actual	2006-07 Actual	2007-08 Forecast	2008-09 Budget	2009-10 Target	2010-11 Target
Revenue ($ billions)	14.3	12.3	11.0	11.7	10.7	10.0
Energy Prices:						
Oil (US$/bbl, WTI)	59.97	64.89	80.72	78.00	74.00	72.00
Natural gas ($Cdn/GJ)	8.29	5.94	5.88	6.75	6.40	6.25

Income Tax Revenue. In 2007-08 revenue reached record levels reflecting Alberta's strong economy, population growth, and prior year adjustments. Over the next three years, revenue growth is expected to slow. Base personal income tax revenue (excluding prior years' adjustments) is expected to grow by 7% a year. Corporate income tax revenue is forecast to decline, reflecting corporate profits trending down and a positive one-time adjustment in 2007-08. Income tax revenue is about $0.5 billion higher in 2010-11 than in 2007-08.

Other Revenue. Excluding health care insurance premiums, other revenue is forecast to increase by an average of 4% a year, or $1.7 billion over the next three years. The elimination of health care insurance premiums will offset this increase, reducing it to about $0.7 billion.

REVENUE INITIATIVES

Albertans and Alberta businesses pay, by far, the lowest overall taxes in Canada. This advantage will be strengthened in *Budget 2008*.

Initiatives will reduce provincial taxes/premiums paid by Albertans and Alberta businesses by $1.3 billion a year.

Health care insurance premiums will be eliminated. The Alberta Family Employment Tax Credit and caregiver/infirm dependant/disability/disability supplement credits will be enhanced. Indexing of the personal income tax system will continue. Seniors will continue to be protected from education property tax increases. A new provincial Scientific Research and Experimental Development credit will be established. The small business threshold will increase as previously announced. Alberta will also parallel federal changes to capital cost allowance rates and the personal income tax base.

In total these initiatives will reduce the provincial taxes/premiums paid by Albertans and Alberta business by approximately $1.3 billion a year when fully implemented.

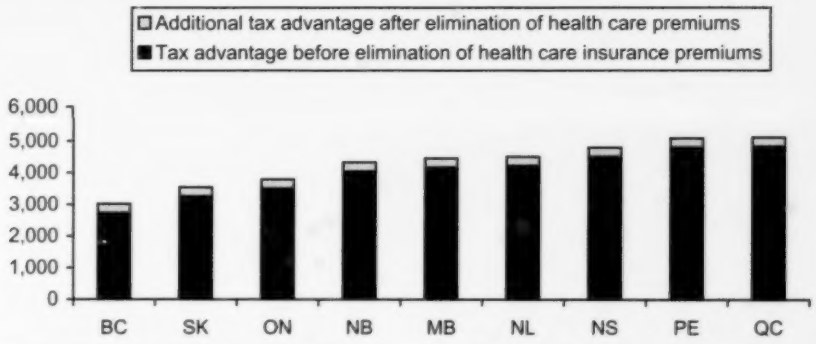
Initiatives	Annual Benefit[a]
Health Care Insurance Premiums – Eliminated January 1, 2009.	$1 billion
Alberta Family Employment Tax Credit – Effective July 2008, maximum benefit increased by 10% and the income thresholds increased by $5,000. This is in addition to the regular inflation adjustment.	$25 million
Caregiver/infirm dependant/disability/disability supplement credits – Effective for the 2008 tax year, the tax savings from each of these credits will increase by up to $500 and the income thresholds will increase by $5,000 plus indexation.	$20 million
Indexing of Personal Tax Credits – Annual indexation continues. For the 2008 tax year, credit amounts will increase by 4.7%.	$132 million
Scientific Research and Experimental Development Credit – New refundable tax credit for expenditures on research and development introduced. The credit is worth 10% of eligible expenditures made after December 31, 2008 up to $4 million, for a maximum annual credit of $400,000.	$60 million
Small Business Threshold Changes – Effective April 1, 2008, the amount of income earned that is eligible for the small business rate of 3% increased from $430,000 to $460,000, and will increase to $500,000 on April 1, 2009.	$5 million
Parallel Federal Budget Initiatives – Federal tax measures on capital cost allowances, Tax-Free Savings Account and Northern Residents Deduction matched by the province.	$19 million
Total	**$1.3 billion**

[a] Annual benefit once fully implemented. All provincial initiatives are effective in 2008 except for the Scientific Research and Experimental Development credit and the elimination of Health Care Insurance Premiums, which are effective January 1, 2009.

If Alberta had the same tax system as other provinces, Albertans and Alberta businesses would pay, after the elimination of health care insurance premiums, the equivalent of between $3,000 and $5,000 per capita more in taxes each year.

The Alberta tax advantage will be equivalent to about $3,000 to $5,000 per person.

Alberta Tax Advantage [a]
(dollars per capita)



[a] This chart represents, on a per capita basis, the additional provincial taxes that individuals and businesses would pay if Alberta had the same tax structure as other provinces.

NEW ENERGY ROYALTY FRAMEWORK

To help ensure Albertans are receiving a fair share from energy development through royalties, taxes and fees, a new royalty system is being established. Implementation will start on January 1, 2009.

For conventional oil and natural gas, the current system will be simplified by streamlining complicated systems of pool discovery dates, price distinctions and special treatments. For oil sands, the royalty will be a percentage of revenue for any period when the project has not recovered all its costs. Otherwise, it will be the greater of a percentage of revenues or of net income. The percentage will vary depending upon oil prices.

Once fully implemented, the new framework is forecast to provide about $1.8 billion more royalties per year than would have been collected under the old system (at the prices and production levels currently forecast). The increased price sensitivity of the new framework means that variances from forecast volumes and prices may generate revenue that is significantly greater or lower than $1.8 billion.

Royalty Framework Comparison [a]
(millions of dollars)

	2008-09	2009-10	2010-11
Old Framework	11,243	8,826	8,236
New Framework	11,709	10,712	10,044
Difference	**466**	**1,886**	**1,808**

[a] Uses the same price and production level assumptions for both new and old royalty frameworks. Implementation starts on January 1, 2009.

SPENDING

Growth pressures have had a major impact on Alberta's spending plans. In 2007, the combined increase in population plus inflation was 8%. This put cost pressures on the delivery of programs and services. To address this situation, and move ahead on other critical issues, operating and capital spending was significantly increased in 2007-08 and will again be increased in 2008-09.

Operating spending will increase by 9.7%, or $2.6 billion, in 2008-09. In the next two years, operating spending is targeted to increase by an average of 4.8%.

In 2008-09, operating spending will increase by 9.7% or $2.6 billion.

In 2008, the combined increase in population and inflation is expected to moderate to about 5.4% and continue to decline to under 4.5% in the following two years. This provides some flexibility to reduce the rate of operating spending increases over the three years while still addressing Albertans' key priorities.

Capital spending (capital grants plus capital investment) will reach a record $8.7 billion in 2008-09. This is an increase of 22% from 2007-08. Over the next two years, capital spending will decline to $7.5 billion in 2009-10 and nearly $6 billion in 2010-11.

In 2008-09, capital spending will reach a record $8.7 billion, an increase of 22%

Natural gas rebates/emergency/disaster assistance. An estimated $325 million in natural gas rebates will be provided in 2008-09. $50 million in emergency assistance is budgeted to address pine beetle infestations.

Expense

(millions of dollars)

	2007-08 Forecast	2008-09 Budget	2009-10 Target	2010-11 Target	3-year Change
Operating expense	**27,138**	**29,769**	**31,393**	**32,722**	**5,584**
Capital grants [a]	5,181	5,904	4,896	3,752	(1,429)
Emergencies/disasters	241	50	–	–	(241)
Natural gas rebates	339	325	325	326	(13)
Amortization [b]	602	735	759	781	179
Debt servicing costs	225	220	198	208	(17)
Total expense	**33,726**	**37,003**	**37,571**	**37,789**	**4,063**
Percentage increase [c]					
Operating expense	10.9	9.7	5.5	4.2	20.6
Total expense	14.3	9.7	1.5	0.6	12.0
Population plus inflation [d]	8.1	5.4	4.4	4.1	13.9
Capital investment [e]	1,974	2,817	2,606	2,183	209

The combined increase in population and inflation is expected to moderate from 8% in 2007 to under 4.5% by 2009.

a Includes capital grants to local authorities and capital support for provincial capital planning, accommodation, and facility preservation. Does not include capital investment in government-owned capital assets.

b Includes amortization, consumption of inventories and nominal sum disposals.

c 2008-09 percentage increase is from 2007-08 forecast.

d Calendar year combined increase.

e Capital investment in government-owned assets is not reported in expense. Capital Plan spending equals capital investment plus capital grants.

OPERATING SPENDING

In 2008-09, $29.8 billion will be spent on programs and services, an increase of 9.7%, or $2.6 billion. Operating increases for the following two years are forecast to average about 4.8%, or $1.5 billion, per year.

In 2008-09, operating increases include:

- *9.4% for Health & Wellness*
- *10.2% for Advanced Education & Technology*
- *8.8% for Seniors & Community Supports*
- *4.3% for Education*
- *13.8% for other ministries*

2008-09 Operating Budgets [a]

	2008-09 Budget		2008-09 Increase	
	$ millions	%	$ millions	%
Health & Wellness	11,856	39.8	1,023	9.4
Education	5,223	17.5	217	4.3
Advanced Education & Technology	2,582	8.7	240	10.2
Seniors & Community Supports	1,817	6.1	147	8.8
Other ministries	8,291	27.9	1,004	13.8
Total Operating Spending	**29,769**	**100.0**	**2,631**	**9.7**

[a] Operating spending does not include capital grants, capital investment, emergency/disaster assistance, natural gas rebates, amortization and nominal sum disposals.

The government will continue to provide the necessary funding to the major program areas. In 2008-09:

- **Health and Wellness** receives a 9.4% or $1 billion increase. This represents about 40% of the total increase in operating spending. Health authorities' base operating grants are increasing by an average of 8%.
- **Education** funding is increasing by 4.3%, reflecting relatively flat student enrolment and the agreement reached with teachers on salaries. Funding for the class size initiative increases by 9%.
- **Advanced Education and Technology** receives a 10.2% increase to support post-secondary education, research, innovation and technology commercialization. Operating grants to institutions will increase to support new instructional spaces and increase the number of health care graduates. Tuition fee increases are limited to inflation and additional Affordability Framework items will be implemented. The new Alberta Enterprise Corporation will be established.
- **Seniors and Community Supports** receives an 8.8% increase. AISH funding is increasing by 10.7% due to the full-year impact of the January 2008 increase in the monthly living allowance and increased caseloads. Funding will be provided to address cost increases and caseload growth in Persons with Developmental Disabilities and seniors programs.
- These four ministries account for over 70% of total operating spending.

New and expanded initiatives related to:

- *Crime Reduction & Safe Communities*
- *Child Care*
- *Communities & Culture*
- *Workforce*
- *Energy & Environment*

Other program areas are receiving an overall operating increase of 13.8% in 2008-09. This reflects the government's commitment to move aggressively forward on initiatives such as:

- **Crime Reduction & Safe Communities.** $468 million in new operating funds over three years will be provided to the ministries of Justice, Solicitor General and Public Security, Children and Youth Services, and Health and Wellness. Initiatives will be focused on enforcement, prevention and treatment.

- **Child Care.** A 10.6% increase in the operating budget of Children and Youth Services will support additional child care spaces, funding for child intervention services, foster care and the fetal alcohol initiative.
- **Communities and Culture.** The new Community Spirit Donation Program will provide grants to Alberta based non-profit and charitable organizations based on contributions made by Albertans. The new cultural policy, *The Spirit of Alberta*, will receive implementation funding. Increased funding through the First Nations Development Fund will support community development in First Nations communities.
- **Workforce Initiatives.** Nearly $450 million for employment and training programs will be provided over three years, plus a further $145 million for the Health Workforce Action Plan. $248 million will be spent on immigration programs, including an expanded Provincial Nominee Program.
- **Energy and Environment.** $574 million in operating and capital support will be provided for climate change initiatives over the next three years. A new Land-use Framework will be implemented and a new *Energy Efficiency Act* introduced. Additional funding is being provided to the Energy Resources Conservation Board (ERCB) and Alberta Utilities Commission (AUC).

2008-09 Operating Expense [a]

(millions of dollars)

	2008-09 Estimate	Change from 2007-08 Forecast $	%	Reason for Change
Legislative Assembly	90	-	-	Manpower increases offset by non-recurring election costs
Aboriginal Relations	117	22	23.2	First Nations Development Fund
Advanced Education and Technology	2,582	240	10.2	Support for adult learning, technology commercialization
Agriculture and Rural Development	957	130	15.7	Return to long-term average AgriStability payments
Children and Youth Services	1,079	103	10.6	Child care spaces, child intervention services, foster care
Culture and Community Spirit	281	42	17.6	Community Spirit Donation Program, cultural policy
Education	5,223	217	4.3	Support to public and separate schools
Employment and Immigration	913	73	8.7	Health workforce, immigration, employment & training
Energy	384	90	30.6	Biofuel initiatives, Energy Resources Conservation Board
Environment	224	(6)	(2.6)	Excluding 2007-08 legal settlement, increase of 53% or $78 million
Executive Council	30	6	25.0	Communications strategy, Premier's Council for Economic Strategy
Finance and Enterprise	989	137	16.1	Pensions, ACFA, Community Development Trust, AIMco
Health and Wellness	11,856	1,023	9.4	Health Authorities, physician services
Housing and Urban Affairs	219	34	18.4	Affordable housing and homelessness initiatives
Infrastructure	406	34	9.1	Property operations and leases
International and Intergovernmental Relations	29	1	3.6	Investment attraction
Justice	515	135	35.5	Safe communities, court services, Crown prosecutors
Municipal Affairs	228	39	20.6	Municipal Sustainability Initiative operating grants
Seniors and Community Supports	1,817	147	8.8	AISH, Persons with Developmental Disabilities boards
Service Alberta	257	2	0.8	Inflationary increase on IT services
Solicitor General and Public Security	576	59	11.4	Policing, correctional services, sheriffs branch
Sustainable Resource Development	299	12	4.2	Land-use Framework, biodiversity monitoring
Tourism, Parks and Recreation	160	17	11.9	Tourism initiatives
Transportation	486	63	14.9	Provincial highway maintenance
Treasury Board	52	11	26.8	Alternative capital financing office, Oil Sands Secretariat
Total Operating Expense	29,769	2,631	9.7	

[a] Excludes capital grants, disaster/emergency assistance, natural gas rebates, amortization, consumption of inventories and nominal sum disposals.

CAPITAL SPENDING

2008-11 Capital Plan supports over $22 billion in capital projects.

2008-09 – $8.7 billion
2009-10 – $7.5 billion
2010-11 – $5.9 billion

The three-year, 2008-11 Capital Plan will directly support $22.2 billion in capital projects. This is an increase of 21%, or $3.9 billion, from the 2007-10 Capital Plan published in *Budget 2007*.

Comparison of 2007-10 and 2008-11 Capital Plans
(millions of dollars)

	2007-10 Budget 2007	2008-11 Budget 2008	Change
Health, schools, post-secondary facilities	5,904	6,477	573
Provincial highway network	4,614	5,162	548
Municipal infrastructure support	4,262	4,997	735
Other projects	3,465	4,719	1,254
Provision for cost escalation	–	803	803
Total	**18,245**	**22,158**	**3,913**

CAPITAL PRIORITIES

Over a 400% increase in capital spending in the last five years.

The government continues its commitment to providing the roads, schools, hospitals and other public infrastructure necessary to meet the requirements of Alberta's growing economy and population. Capital spending in 2008-09 is more than 400% higher than it was in 2003-04. This includes a 22% increase in 2008-09.

$6.5 billion for health, schools and post-secondary facilities.

Health, Schools and Post-Secondary Facilities – $6.5 billion over the next three years, including:

- new or replacement health facilities in locations such as Grande Prairie, Medicine Hat, Calgary, Sherwood Park and Edmonton,
- additional long-term care spaces,
- development of cancer radiation therapy centres,
- the completion of 59 new schools or modernization projects, and
- expansion and upgrading of post-secondary facilities across the province.

In 2003-04, capital support for health, schools and post-secondary facilities was about $550 million. In 2008-09, it will be $2.8 billion. This is an increase of over 400% in five years.

$5.2 billion for provincial highway network.

Provincial Highway Network – $5.2 billion over the next three years, including:

- continued construction of strategic economic corridors, such as ring road links in Edmonton and Calgary,
- improvements to Highway 63 to Fort McMurray, and
- nearly doubling government's commitment to provincial highway rehabilitation.

In 2003-04, capital support for the provincial highway network was about $455 million. In 2008-09, it will be $1.9 billion. This is an increase of over 300% in five years.

Municipal Infrastructure Support –$5 billion over the next three years, including:

- $2.4 billion under the Municipal Sustainability Initiative,
- $1.2 billion under the Alberta Municipal Infrastructure Program,
- $1 billion for municipal transportation grants, and
- over $360 million through the federal Gas Tax Fund and the Canada-Alberta Municipal Rural Infrastructure Fund.

$5 billion for municipal infrastructure support.

In 2003-04, capital support for municipal infrastructure was about $230 million. In 2008-09, it will be $1.6 billion. This is an increase of 600% in five years.

Other Capital – $4.7 billion over the next three years, including:

$4.7 billion for housing, water and wastewater projects, community facilities, environment projects and other projects.

- **Housing.** $1.1 billion for development of more than 11,000 affordable housing units (over five years), additional seniors' housing, and enhancement of supported living facilities in rural areas.
- **Water and Wastewater Projects.** $721 million for municipal and regional water and waste water projects, irrigation rehabilitation, and other water infrastructure.
- **Community Facilities.** $705 million, including funding for the Major Community Facilities Program and the Community Facility Enhancement Program, support for the Capital Region River Valley Park, expansion of the TELUS World of Science in Calgary and the Royal Alberta Museum in Edmonton, and maintenance/upgrades to parks, museums and historic sites.
- **Environment Projects.** $363 million in funding through the new Climate Change Emissions Management Fund and the federal Canada Eco-Trust for Clean Air and Climate Change.
- **Other Projects.** $1.8 billion, including replacement of Edmonton Remand Centre, increasing the number of child care spaces available, and retrofitting airtanker aircraft bases.

In 2003-04, capital support in these other areas was about $420 million. In 2008-09, it will be $2.1 billion. This is an increase of about 400% in five years.

Provision for Cost Escalation. The 2008-11 Capital Plan also includes an $803 million contingency to address possible cost escalation on approved projects. $309 million is set aside for 2008-09. If required, funding from this provision will be voted in the Legislature during the year.

$803 million contingency for possible cost escalation on projects.

Five-Year Increase in Capital Spending 2003-04 and 2008-09
(millions of dollars)

	2003-04 Actual	2008-09 Budget	Increase
Health, schools, post-secondary facilities	550	2,840	416%
Provincial highway network	455	1,852	307%
Municipal infrastructure support	232	1,626	601%
Other projects	422	2,094	396%
Provision for capital cost escalation	–	309	–
Total	**1,659**	**8,721**	**426%**

FINANCING OF THE CAPITAL PLAN

Planned capital projects over the next three years will be funded from three main sources.

As planned, Capital Account will be drawn down to support announced capital projects.

- **Current-Year Revenue.** The government will use the revenue it collects during the year, including non-renewable resource revenue.
- **Capital Account.** As planned, the Capital Account will be drawn down to support announced projects. The assets of the Capital Account are forecast to decline from $7.5 billion at March 31, 2008 to about $2.2 billion by March 31, 2011.
- **Alternative Financing.** The Capital Plan assumes that some capital projects will be financed through public-private partnership arrangements (P3s). This includes ring roads in Edmonton and Calgary, and some school and health projects. It is assumed that liabilities of about $1.8 billion will be recorded on the balance sheet by March 31, 2011, for these alternatively financed capital projects.

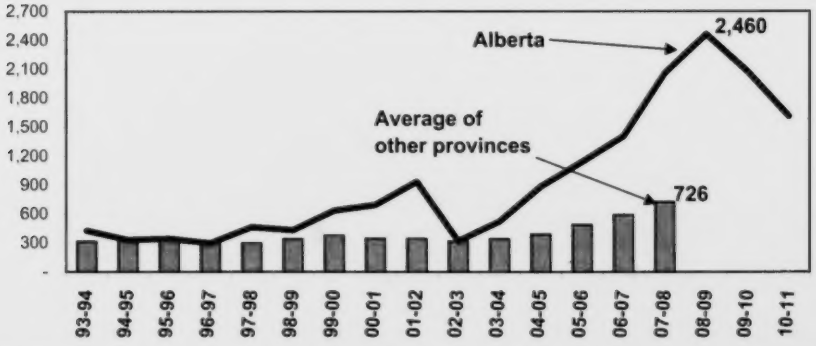
LONG-TERM COMMITMENT FOR CAPITAL

Alberta's per capita spending on capital is over 3 times the average level of other provinces.

In 2008-09, the capital budget will reach a record $8.7 billion. Alberta's per capita spending on capital is over 3 times the average level of other provinces. The average spending in other provinces has been about $726 per person while in Alberta, in 2008-09, it will be about $2,460 per person.

The government has released *The 20-year Strategic Capital Plan* which identifies broad capital priorities and commits to an average capital spending of $6 billion a year in 2007 dollars. This represents roughly 2.5 times the average per capita spending of other provinces.

Interprovincial Comparison of Capital Expenditure
(dollars per capita)



Source: Dominion Bond Rating Service Limited, The 2007 Canadian Federal and Provincial Governments Overview: Still on Solid Ground, October 2007. Alberta data for 2007-11 has been updated by Alberta Finance and Enterprise.

SURPLUSES AND FISCAL FRAMEWORK

Over the last five years, strong energy prices and economic growth have resulted in exceptionally large surpluses totalling over $30 billion. During this same period, the budgeted surpluses were estimated to total only about $9 billion.

The $21 billion difference between budgeted and actual surpluses reflects the dramatic increase in oil prices, from US$31 in 2003-04 to over US$80 in 2007-08. It also underlines the difficulty in forecasting energy prices as neither government nor private sector forecasters foresaw the run up in oil prices.

This revenue/surplus uncertainty has been partly addressed by developing an in-year surplus allocation policy.

Actual and Budgeted Surpluses
(billions of dollars)

	2003-04 Actual	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08 Forecast	5-Year Total
Actual Surplus	4.1	5.2	8.6	8.5	4.0	30.4
Budgeted Surplus	1.1	0.3	1.5	4.1	2.3	9.3
Difference	**3.0**	**4.9**	**7.1**	**4.4**	**1.7**	**21.1**

In-Year Surplus Allocation Policy. In *Budget 2007*, the government formalized its in-year surplus allocation policy. One-third of the cash available from an in-year increase in the surplus is allocated to savings and two-thirds to capital requirements, with at least 50% of the capital allocation to address maintenance and renewal requirements. This policy remains unchanged for 2008-09.

In-year surplus allocation policy remains unchanged:
- *one-third to savings*
- *two-thirds to capital.*

Over the next three years, budgeted surpluses are forecast to total only about $2.1 billion. However, if oil prices remain above forecast levels surpluses could be significantly higher than forecast.

SURPLUS ALLOCATIONS

Longer-term Savings. Since accumulated debt was eliminated in 2004-05, about one-third, or $6.8 billion, of the $21.1 billion in surpluses has been allocated to the Heritage Fund, advanced education endowment, Medical Research Endowment, Science and Engineering Research Endowment, Scholarship Fund and Cancer Prevention Legacy Fund.

In 2008-09, the Heritage Fund will continue to be inflation-proofed. Over the next three years, nearly $1 billion will be added to the Heritage Fund for inflation-proofing. The book value of Heritage Fund assets is forecast to reach $17.4 billion and endowments and other funds $3.8 billion.

Capital Account. Over the last three years, one-third of the surpluses or $6.8 billion has been added to the Capital Account to help pay for approved future year commitments, bringing the Capital Account to $7.5 billion. As planned, these assets are expected to be drawn down by $5.3 billion over the next three years to pay for approved capital projects.

Over the last three years, the $21 billion in surpluses have been allocated:
- *one-third to longer-term savings*
- *one-third to the Capital Account*
- *one-third to the Sustainability Fund and other requirements.*

Sustainability Fund to remain at $7.7 billion.

Sustainability Fund. The Sustainability Fund reached $7.7 billion in 2006-07. No net financial assets were added to the Fund in 2007-08 and no further allocations are planned over the next three years.

Other Allocations. This primarily includes retained income of funds and agencies (Alberta Treasury Branches, Agriculture Financial Services Corporation and endowments) and cash required to help meet capital cash requirements. It can also reflect an increase in the year-end surplus that has not yet been allocated.

Surplus Allocations, 2005-06 to 2007-08
(millions of dollars)

	2005-06 Actual	2006-07 Actual	2007-08 Forecast	3-Year Total
Surplus	**8,551**	**8,510**	**4,031**	**21,092**
Capital Account	3,569	1,848	1,411	6,828
Sustainability Fund	585	3,570	–	4,155
Longer-term savings/funds				
Heritage Fund	1,382	1,283	1,403	4,068
Advanced education endowment	750	250	–	1,000
Medical Research	200	150	150	500
Cancer Fund	–	500	–	500
Scholarship Fund	250	20	227	497
Science and Engineering Research	100	100	–	200
Other Allocations/Adjustments	1,715	789	840	3,344

The 2008-09 surplus will be used to:
- *inflation-proof the Heritage Fund*
- *establish an Alberta Enterprise Corporation*
- *as a set aside for the Contingency Allowance*
- *help meet other cash requirements.*

2008-09 SURPLUS ALLOCATION.

A $1.6 billion surplus is estimated for 2008-09. This surplus will allow for:

- Inflation-proofing of the Heritage Fund, estimated at $279 million.
- Establishment of a $100 million Alberta Enterprise Corporation to provide early-stage venture capital to knowledge-based companies.
- Contingency Allowance of $325 million.
- The remaining $864 million is required to help meet capital cash requirements or is retained by funds and agencies.

FISCAL FRAMEWORK

The basic elements of Alberta's fiscal framework continue. Budgets must be affordable and sustainable over the three-year forecast period.

The basic elements of Alberta's fiscal framework continue.

Deficits/Debt. Deficits, as defined by the *Fiscal Responsibility Act (FRA)*, remain against the law. The government can borrow only for capital purposes and as required by self-supporting corporations such as Agriculture Financial Services Corporation, ATB and Alberta Capital Finance Authority. The *FRA* will be amended in 2008-09 to clarify that the government can borrow to support capital projects that are owned by school boards, post-secondary institutions and health authorities.

Sustainability Fund / Capital Account. The use of these two funds is unchanged. The Sustainability Fund can be used to offset the cost of emergencies, disasters, natural gas rebates, settlements with First Nations and unexpected declines in budget revenue. The Capital Account can be used to finance capital projects.

Controls on In-Year Spending. A minimum of 1% of revenue for fiscal policy purposes will continue to be set aside as a contingency allowance. This is the maximum amount that spending can increase in-year (excluding expenses funded from the Sustainability Fund, Capital Account or dedicated revenue).

Non-renewable Resource Revenue. The *FRA* limits the amount of non-renewable resource revenue that can be directly used for budget purposes at $5.3 billion in 2008-09. This represents about 45% of forecast non-renewable resource revenue. As permitted by the *FRA*, most of the resource revenue above the $5.3 billion limit will be allocated to the Capital Account to help fund capital projects in each of the next three years.

The three-year fiscal plan assumes that the *FRA* limit on the use of resource revenue will be increased to $6.6 billion starting in 2009-10. This change to the limit will be required unless non-energy revenue is higher than currently forecast or operating spending is lower.

Pension Obligations. The *FRA* excludes the change in the unfunded pension obligations of the Government of Alberta from expense and balanced budget requirements. In 2007-08, the government assumed the responsibility for the $2.2 billion teachers' share of the pre-1992 unfunded pension liability of the Teachers' Pension Plan.

Including this $2.2 billion extraordinary expense and the $250 million increase in other pension obligations, the 2007-08 surplus is reduced from $4 billion to $1.6 billion. In 2008-09, the increase in pension obligations is estimated at $187 million, reducing the budgeted surplus to $1.4 billion.

SUCH Sector. *Budget 2008* does not include the net income of Crown-controlled entities in the SUCH sector (schools, universities, colleges and health authorities). In 2006-07, these entities had net income of $560 million. A forecast of their net income is not available for 2007-08 or future years.

RISKS

Over 30% of Alberta's revenue is directly tied to volatile sources, in particular energy prices, equity markets and exchange rates. Over the last four years, these factors have experienced dramatic changes:

Over 30% of Alberta's revenue is directly tied to volatile sources.

- **Oil prices** climbed from the US$30 range in 2003-04 to peaks of over US$100 in 2007-08.
- **Natural gas** prices roller-coasted, increasing by over 50% and then declining by 30%.
- **The Canadian dollar** rapidly appreciated against the US dollar, increasing from 74 cents in 2003-04 to peaks of over $1.00 in 2007-08.
- **Equity markets** have had large gains and losses.

These developments were not fully discernable when budget revenue forecasts were prepared, either internally by the government or by most external forecasters, and have resulted in revenue exceeding the budget estimates by as much as 30% in 2005-06. For the last two years, the budget revenue estimates have been more accurate, with forecast 2007-08 revenue only about 7% higher than estimated in the budget.

Alberta must determine the degree of risk it is willing to take associated with its revenue outlook and spending decisions.

This high degree of revenue uncertainty places the Alberta government in a relatively unique position in comparison to other governments. Like energy companies, banks and other investors, Alberta must assess the degree of risk it is willing to take associated with its revenue outlook and spending decisions.

This uncertainty may be greater than in recent years because of the increased speculation around high oil prices and the higher revenue sensitivity under the new royalty structure. Revenue in 2008-09 could be 10–15% higher or lower than estimated in the budget, depending on energy prices, exchange rates, economic growth and equity markets.

Canadian / U.S. Economies

U.S. economic outlook uncertain.

- *Budget 2008* assumes that the downturn in U.S. economic growth will also slow economic growth in Canada. However, the strength of emerging economies is expected to keep overall global growth close to long-term averages. The impact of recent U.S. developments on the broader global credit markets represents a notable risk for both the U.S. and global economies. The extent and duration of these effects remain highly uncertain.
- Weaker U.S. growth and continued difficulty in credit markets could negatively affect Alberta's revenue through lower equity returns, lower energy prices and a higher Canadian dollar. A faster than expected U.S. recovery would have a positive impact on revenue.

Alberta Economy

- *Budget 2008* assumes Alberta's economic growth will continue to be strong but not as exceptional as in recent years. This should dampen cost pressures related to population increases, inflation, and wages.
- Continued rapid growth could have a mixed impact. Stronger growth would lead to increased government revenue but would increase cost pressures for both private sector and government operating and capital budgets.

Energy Prices

Energy prices remain highly uncertain.

- Energy prices remain highly uncertain, although there appears to be more upside than downside risk in the shorter term. Oil prices have increased rapidly in recent years and months. During the six months from October 2007 to March 2008, oil prices have fluctuated between US$80 and $110. These prices appear to be partly driven by market speculation. This makes it extremely difficult to assess what the price of oil will be over the next three years.

New royalty framework is more price sensitive.

- The new royalty framework is more price sensitive. As a result, changes in energy prices and exchange rates will have a bigger impact on government revenue than in the past. The difference between US$90 and US$60 oil, once the new royalty structure is in place could be $6 billion a year.

Exchange Rate

- A stronger than expected Canadian dollar could negatively affect exports and economic growth. A higher dollar also reduces the net revenues of energy producers, which could dampen energy investment.
- A higher Canadian dollar also lowers government resource revenue as energy prices and contracts are mainly based on the U.S. dollar.

Investment Income

- Alberta has significant financial assets invested in a variety of financial instruments. Changes in equity markets, interest rates, exchange rates and other factors affect the return on these investments.

Risk Management – Sustainability Fund / Capital Account

- The Alberta government has set aside over $15 billion in these two funds to help protect the fiscal plan and capital plan against revenue risks and emergencies and disasters.

Sensitivities to Fiscal Year Assumptions

- Sensitivities to changes in oil prices, natural gas prices and exchange rate will significantly increase with the implementation of the new royalty framework.
- The **2008-09** column reflects the **current royalty framework** which remains in place until January 1, 2009.
- The **2009-10** column reflects the **new royalty framework** which will be implemented beginning on January 1, 2009.

Sensitivities to Fiscal Year Assumptions

	Change	Net Impact ($ millions)	
		2008-09	2009-10
Oil Price (WTI US$/bbl)	-$1.00	-130	-211
Natural Gas Price (Cdn$/GJ)	-10 cents	-114	-166
Exchange Rate (US¢/Cdn$)	+1 cent	-210	-292
Interest Rates	+1%	-196	-196
Equity Market Value	-1%	-32	-32
Personal Income	-1%	-90	-99
Corporate Taxable Income	-1%	-78	-77

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SPENDING PLAN

Budget 2008
THE RIGHT PLAN FOR
TODAY & TOMORROW

Spending Plan
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Spending Plan

The government's strategic business plan identifies five priorities:

- Ensure Alberta's energy resources are developed in an environmentally sustainable way.
- Increase access to quality health care and improve the efficiency and effectiveness of health care service delivery.
- Promote strong and vibrant communities and reduce crime so Albertans feel safe.
- Enhance value-added activity, increase innovation, and build a skilled workforce to improve the long-run sustainability of Alberta's economy.
- Provide the roads, schools, hospitals and other public infrastructure to meet the needs of a growing economy and population.

The *Budget 2008* spending plan reflects the government's commitment to address these five priorities over the next three years.

The Budget 2008 Spending Plan supports government's five priorities.

PRIORITY: *Ensure Alberta's energy resources are developed in an environmentally sustainable way*

Alberta's energy resources will be developed in an environmentally sustainable way, as:

- a comprehensive provincial energy strategy for the development of Alberta's renewable and non-renewable energy sources will be completed this year;
- the updated provincial climate change strategy will be implemented;
- a long-term strategic plan for oil sands development will be completed this year, with implementation to begin immediately, and
- regulation of the development of Alberta's energy resources will be strengthened.

Key initiatives in *Budget 2008* that address this priority include:

- $237 million in 2008-09, and a total of $574 million over three years, for climate change initiatives;
- $94 million in 2008-09, and $404 million over three years, to address further infrastructure pressures related to oil sands development in the Regional Municipality of Wood Buffalo;
- $20 million in 2008-09, and $60 million over three years, to implement conservation and energy efficiency initiatives, and
- $216 million in 2008-09, and $686 million over three years, to support energy regulatory operations through the Energy Resources Conservation Board and the Alberta Utilities Commission.

CLIMATE CHANGE INITIATIVES

Alberta's updated climate change strategy sets a course for real reductions in greenhouse gas emissions.

Significant investments are being made to support initiatives to address air quality, climate change, and emissions management.

Climate Change Strategy. Alberta has updated its Climate Change Strategy to set a course for real reductions in the amount of greenhouse gas emissions. With $30 million in annual funding, the Climate Change Strategy focuses on taking action around three themes:

1. Implementing Carbon Capture and Storage.
2. Conserving and Using Energy Efficiently.
3. Greening Energy Production.

Climate Change and Emissions Management Fund. Under the *Climate Change and Emissions Management Amendment Act,* Alberta became the first province to legislate a reduction in greenhouse gas emission intensity from large industry. As of July 1, 2007 companies that emit more than 100,000 tonnes of greenhouse gases a year must reduce their emissions intensity by 12 per cent. Under the Act, companies have the option to pay $15 per tonne to the Fund, which will then be used to support strategic projects or transformative technology aimed at reducing greenhouse gas emissions in Alberta.

Canada Eco-Trust for Clean Air and Climate Change. $52 million in federal funding will be used in each of the next three years to support applied research, technology development, and demonstration projects. The focus will be on areas that have a strong potential to reduce greenhouse gas and air emissions, including clean carbon technologies.

Climate Change Initiatives
($ million)

Program	2008-09 Estimate	2009-10 Target	2010-11 Target	3-Year Total
Climate Change Initiatives [1]	82	82	82	246
Climate Change and Emissions Management Fund [2]	155	95	78	328
Totals	**237**	**177**	**160**	**574**

[1] Includes $52 million per year for initiatives supported by federal revenue from the Canada Eco-Trust for Clean Air and Climate Change.

[2] Based on estimated industry payments into the Fund.

OTHER ENVIRONMENTAL INITIATIVES

Other key environmental initiatives will be supported.

Water for Life Strategy. Over three years, $300 million in capital and $63 million in operating support will be provided to continue implementation of Alberta's *Water for Life* strategy. Operating support includes $16 million over three years to expand the groundwater mapping program.

Mountain Pine Beetle. $55 million will be provided in 2008-09 to continue the aggressive fight against the mountain pine beetle infestation. This infestation threatens important watersheds, critical wildlife habitat, recreation access, tourism and the viability of Alberta's forest-based communities.

Land-use Framework. Implementation of a new Land-use Framework is expected to begin in 2008-09, with $7 million in 2008-09 and a total of $42 million provided over three years. The framework will address competing uses of land and provide a sustainable approach that balances economic, environmental and social concerns.

A new Land-use Framework will be implemented.

Institute for Agriculture, Forestry and the Environment. $1.8 million annually will go to the Institute to identify market-based solutions to increase environmentally sound practices in the renewable resource sectors.

A STRATEGIC PLAN FOR OIL SANDS DEVELOPMENT

The Oil Sands Sustainable Development Secretariat in the Ministry of Treasury Board is leading and coordinating the government's efforts to develop and implement a long-term strategic plan for development of the oil sands.

A number of recommendations regarding infrastructure requirements in the Regional Municipality of Wood Buffalo were included in *Investing in our Future: Responding to the Rapid Growth of Oil Sands Development* (the Radke Report). *Budget 2007* included $174 million in capital support in response to the Radke Report. A second response to the report was announced on January 31, providing $420 million in support for specific new projects in the region. Of this amount, $404 million is included in *Budget 2008*, and $16 million was provided in 2007-08.

ENERGY EFFICIENCY

A new *Energy Efficiency Act* will be introduced this spring. The Act will set the parameters for new conservation and energy efficiency initiatives for consumers and businesses.

ENERGY AND UTILITIES REGULATION

The *Alberta Utilities Commission Act* split the Energy and Utilities Board into the Energy Resources Conservation Board (ERCB) to regulate the development of Alberta's energy resources and the Alberta Utilities Commission (AUC) to regulate Alberta's utility services. The organizations will have the resources needed for these critical functions. Total spending by the ERCB will be over $184 million in 2008-09, a $29 million or 18.7% increase from 2007-08. Funding for the AUC is provided via industry levy. The levy will triple in 2008-09, to almost $32 million, as a result of the shift to 100% industry funding and an expanded mandate for the AUC.

Energy Resources Conservation Board spending will increase by $29 million, or 18.7% to over $184 million in 2008-09.

PRIORITY: *Increase access to quality health care and improve the efficiency and effectiveness of health care service delivery*

Access to quality health care will increase and the efficiency and effectiveness of health care service delivery will be improved, as:

- health authorities' base operating grants increase by an average of 8% in 2008-09;
- quality, supply and client choice in the continuing care system will be improved;
- implementation of the Health Workforce Action Plan continues, and
- the number of post-secondary graduates in health care programs will increase.

Key initiatives in *Budget 2008* that address this priority include:

- $13 billion in program expense in 2008-09 for the Ministry of Health and Wellness;
- $69 million in 2008-09, and $300 million over four years, to add or upgrade beds in the continuing care system;
- $80 million in 2008-09, and $180 million over three years, to add 1,650 affordable supportive living units;
- $48.5 million in 2008-09, and about $145 million over three years, to continue implementation of the Health Workforce Action Plan, and
- $43 million in 2008-09, and $256 million over three years, to increase the number of physicians, registered nurses, and licensed practical nurses that graduate from Alberta's post-secondary institutions.

MINISTRY OF HEALTH AND WELLNESS

The Ministry's program expense in 2008-09 is budgeted at over $13 billion, a $1.1 billion or 9.1% increase from 2007-08.

Operating expense for the Ministry of Health and Wellness will increase by $1 billion, or 9.4% to $11.9 billion in 2008-09.

Operating expense is budgeted at $11.9 billion, an increase of $1 billion, or 9.4%. Capital support to health authorities is budgeted at $1.3 billion, an increase of $67 million, or 5.4%. A budget of $70 million is planned for investment in government-owned capital, primarily for health information systems and vaccines.

Health Authority Base Operating Grants. 60% of the Ministry's operating expense, over $7.1 billion, is for operating grants to Alberta's nine regional health authorities, the Alberta Cancer Board and the Alberta Mental Health Board. These authorities deliver essential health care services to Albertans, including management of hospitals, continuing care, community and public health, home care, cancer and mental health services. Base operating grants overall will increase by 8% in 2008-09, with all authorities receiving an increase of at least 6%.

Physician Services. In 2008-09, $2.5 billion is budgeted, an increase of $109 million, or 4.5% from 2007-08. About 85% of this budget is for physician compensation, which is increasing by $46 million to reflect higher volumes. Other increases are $28 million for alternative payments to academic physicians and $34 million for physician office systems. Funding for primary care, the clinical stabilization initiative and on-call programs remains unchanged. A new financial agreement between the government, Alberta Medical Association and regional health authorities will be negotiated.

Supplementary Health Benefits. Assistance for drugs, ambulance and certain other health services is available to all Albertans. In 2008-09, this program's costs are estimated to increase by 2.7% to nearly $749 million, most of which is for drug benefits to seniors. Seniors pay no premiums for this assistance and premium subsidies are available to low-income registrants.

Other Health Services. Over $1.4 billion is budgeted in 2008-09 for a variety of services, including public health laboratories, vaccination programs, tissue and blood services, and air ambulance. Notable 2008-09 budget increases are:

- **Cancer Radiation Wait Times.** Nearly $31 million in new funding will be provided in 2008-09 to begin implementing a guaranteed maximum wait time of eight weeks for cancer radiation therapy by 2010 as part of the agreement with the federal government. Part of this plan is to expand radiation services to Lethbridge, Red Deer, and Grande Prairie.
- **Crime Reduction and Safe Communities.** An additional $29 million is allocated to provide more mental health and residential treatment beds, and comprehensive mental health services for inmates as part of this government initiative.
- **Other.** An increase of $311 million is budgeted in areas such as blood services, payments to medical residents, post-graduate medical education, base funding for the Alberta Alcohol and Drug Abuse Commission, and a provision for workforce issues.

Over $3.3 billion for health capital support.

Health Capital. Over $3.3 billion in capital support to health authorities and investment in government-owned capital is planned over the next three years, including over $1.3 billion in 2008-09. This will provide:

- $2.97 billion for facilities and equipment, including $343 million for capital maintenance and renewal;
- $244 million for health information systems, and
- $120 million for vaccines.

This includes $33 million budgeted in the Ministry of Infrastructure to construct additional government-owned addiction treatment facilities approved as part of the Crime Reduction and Safe Communities initiative.

Ministry of Health and Wellness
(millions of dollars)

	2007-08 Forecast	2008-09 Estimate	2009-10 Target	2010-11 Target
Operating Expense				
Health Authority Base Operating	6,589	7,112	7,559	8,012
Physician Services	2,400	2,509	2,618	2,727
Supplementary Health Benefits	729	749	806	867
Other Health Services	1,115	1,486	1,774	1,895
Total Operating Expense	**10,833**	**11,856**	**12,757**	**13,501**
Capital Support	1,238	1,305	1,074	715
Amortization [a]	54	69	72	72
Total Program Expense	**12,125**	**13,230**	**13,903**	**14,288**
Operating expense increase (%)		9.4	7.6	5.8
Program expense change (%)		9.1	5.1	2.8
Capital Investment	74	70	70	70

[a] Includes consumption of inventories (vaccines).

CONTINUING CARE SYSTEM

As announced on January 29, $300 million will be invested to provide 600 new beds and 200 replacement beds in seven continuing care centres. These centres are part of the government's strategy to improve the quality, supply and client choice in the continuing care system. These beds will also help to address pressures in the acute care system.

$180 million will be provided over the next three years to add 1,650 affordable supportive living units.

Affordable Supportive Living. *Budget 2008* includes a significant investment to increase the number of affordable supportive living and assisted living units available to Alberta seniors, helping to ease pressure on the continuing care system. In 2008-09, $80 million will be provided to support the addition of 800 units. A total of $180 million will be provided over the next three years to add 1,650 units across the province. Another $20 million is provided in 2008-09 primarily for lodge renovations and repairs.

HEALTH WORKFORCE ACTION PLAN

Implementation of the Health Workforce Action Plan continues. This fall, stakeholders will identify priorities for meeting front-line workforce challenges. Operating funding for the Plan (budgeted in the Ministry of Employment and Immigration) will increase by $18.5 million, or over 60%, to $48.5 million in 2008-09, and about $145 million will be provided over three years.

HEALTH CARE PROFESSIONALS

Ensuring that Alberta has the health care professionals needed to meet future demands for health services is a key initiative. Investing in our post-secondary learning system today will mean that, by 2012, Alberta will graduate:

- 68 more physicians (from 227 to 295);
- 625 more registered nurses (from 1,375 to 2,000), and
- 441 more licensed practical nurses (from 559 to 1,000).

PRIORITY: *Promote strong and vibrant communities and reduce crime so Albertans feel safe*

Strong and vibrant communities will be promoted and crime reduced so Albertans feel safe, as:

- crime reduction and safe communities initiatives are implemented;
- affordable housing and homelessness initiatives are significantly enhanced;
- new community initiatives are implemented;
- supports for children and youth are enhanced, new child care spaces are added, and
- supports for Albertans in need are improved.

Key initiatives in *Budget 2008* that address this priority include:

- $156 million in 2008-09, and a total of $468 million over three years, in new operating funding to develop and implement initiatives in response to the Crime Reduction and Safe Communities Task Force report;
- $309 million in 2008-09, and $877 million over three years in the *2008-11 Capital Plan* for affordable housing (excluding affordable supportive living);
- $198 million in operating support in 2008-09 for affordable housing and homelessness initiatives;
- $526 million in 2008-09 and $705 million over three years in the Capital Plan for community facilities. Operating funding is provided for new programs under the federal Community Development Trust. Alberta's new cultural policy and a new Community Spirit Donation Program will be implemented;
- $1.1 billion annually in program expense for the Ministry of Children and Youth Services, providing $242 million over three years to add child care spaces, and
- $2.1 billion in 2008-09 to continue supports for Albertans in need. This includes $666 million for the Assured Income for the Severely Handicapped (AISH) program, $571 million in support to the Persons with Developmental Disabilities boards, $438 million in seniors programs, and $403 million in income supports and related health benefits.

CRIME REDUCTION AND SAFE COMMUNITIES

A total of $468 million in new operating funding has been allocated over the next three years in response to the Crime Reduction and Safe Communities Task Force report, *Keeping Communities Safe*. Another $33 million is included in the *2008-11 Capital Plan*, part of a $40 million commitment to build additional government-owned addiction treatment facilities.

Over $500 million in new funding in response to the Crime Reduction and Safe Communities Task Force report.

Initiatives will focus in three main areas:

- **Enforcement** will be addressed through initiatives such as adding 100 front-line police officers in 2008-09, adding Crown prosecutors and Court

Services staff, and implementing measures to allow for the seizure of illegally obtained property.

- **Prevention** will be addressed through initiatives such as enhanced access to addiction prevention programs, increased services for the families of at-risk children, and enhanced family violence prevention programs.
- **Treatment** will be addressed through initiatives such as the provision of additional mental health beds, as well as comprehensive mental health services for inmates. A model for a new mental health court will be developed.

A portion of the funding budgeted in the Ministry of Justice has not yet been allocated to specific initiatives. A Safe Communities Secretariat began operations on April 1, 2008. The Secretariat will finalize the government's response to the report and oversee implementation of the various initiatives.

Crime Reduction and Safe Communities – Operating Funding
($ million)

Ministry	2008-09 Estimate	2009-10 Target	2010-11 Target	3-Year Total
Children and Youth Services	3	3	3	9
Health and Wellness	29	39	44	112
Justice	108	96	90	294
Solicitor General and Public Security	16	18	19	53
Totals	**156**	**156**	**156**	**468**

Justice, and Solicitor General and Public Security continue to provide ongoing essential services to keep Albertans safe.

Program expense for the Ministry of Justice increases 34.7% to almost $523 million in 2008-09.

Ministry of Justice. Including the additional Crime Reduction and Safe Communities funding, program expense in the Ministry is increasing by over $134 million, or 34.7%, to almost $523 million in 2008-09. Additional funding in 2008-09 includes:

- $124 million for Court Services and Legal Services, including the $108 million provided in response to the Crime Reduction and Safe Communities report;
- $8 million for Legal Aid to maintain and improve access, and
- $2 million net increase in other programs, including maintenance enforcement, the Public Trustee, and Medical Examiner's Office.

Program expense for the Ministry of Solicitor General and Public Security increases 12.4% to almost $583 million in 2008-09.

Ministry of Solicitor General and Public Security. Including the additional Crime Reduction and Safe Communities funding, program expense in the Ministry is increasing by $64.5 million, or 12.4%, to almost $583 million in 2008-09. Additional funding in 2008-09 includes:

- $29 million for policing, primarily for provincial policing programs. This includes $8.5 million from the federal government provided through the new Police Officers Recruitment Fund;
- $18 million in Correctional Services to provide 30 additional probation officers to enhance offender supervision, and add Correctional Peace Officers to address increasing inmate populations;

- $12 million for the Sheriffs Branch to hire an additional 65 sheriffs to address program demands for court perimeter security, traffic safety, and establish the Safe Communities and Neighbourhoods program, and
- $5.5 million in other programs, including $4 million for programs to support victims of crime.

AFFORDABLE HOUSING / HOMELESSNESS INITIATIVES

In response to the Affordable Housing Task Force report, more than $333 million in new funding was provided in 2007-08 to address immediate housing pressures in Alberta. With this investment, 2,100 new affordable housing units were funded, as the government moves towards the goal of developing more than 11,000 units over five years.

Affordable Housing Programs. The Capital Plan includes $309 million in 2008-09, and $877 million over three years, for affordable housing programs. Operating support for housing programs totals $105 million in 2008-09, including:

- $58 million for the rent supplement program;
- $42 million to housing providers through the Alberta Social Housing Corporation, and
- $5 million for special needs housing.

Homelessness Initiatives. The new Alberta Secretariat for Action on Homelessness will develop a provincial strategy and a 10-year plan to end homelessness in Alberta. Over $11 million will be provided over three years to support the Secretariat. There is $93 million budgeted in 2008-09 for other homelessness initiatives, including:

$11 million over three years for the Alberta Secretariat for Action on Homelessness.

- $44 million for the Homeless and Eviction Prevention Fund;
- $38 million in emergency/transitional shelter support, and
- $11 million for homeless and transitional housing initiatives.

COMMUNITY INITIATIVES

A significant level of support to the arts, culture, sports and recreation activities throughout Alberta will be provided. *Budget 2008* includes funding for new community initiatives, while also enhancing existing programs.

Community Spirit Donation Program. Following completion of the MLA Committee Report on the Community Spirit Program, $20 million in 2008-09 and a total of $60 million over three years will be provided to support a new program to provide grants based on the level of eligible donations to Alberta-based non-profit organizations and registered charities.

A new Community Spirit Donation Program will be implemented.

Alberta's Cultural Policy: "The Spirit of Alberta". Through consultations with Albertans, a new cultural policy was developed. An additional $12 million is budgeted in 2008-09, largely for increased funding for the Alberta Foundation for the Arts, to support implementation of the new cultural policy.

$104.3 million over three years in new initiatives supported by the federal Community Development Trust.

Community Development Trust. The new federal Community Development Trust is intended to support communities most affected by changes in the global economy. Alberta's share of the $1 billion Trust is $104.3 million, which will be used over the next three years for:

- training and skills development assistance for workers affected by recent adjustments in the economy;
- increasing Aboriginal participation in Alberta's labour force;
- making investments aimed at strengthening communities reliant on Alberta's agriculture and forestry sectors, and assisting communities affected by the mountain pine beetle;
- investing in research and innovation to develop new and value-added opportunities, and
- developing and strengthening targeted infrastructure to foster economic transition.

Community Facilities Capital Projects. The *2008-11 Capital Plan* includes $526 million in 2008-09, and $705 million over three years for community facilities. Three new community facility projects are funded in 2008-09:

- $50 million to support the Capital Region River Valley Park project,
- $40 million to support expansion of the TELUS World of Science in Calgary, and
- $40 million in support for Alberta's bid for the National Portrait Gallery.

Métis Settlements. Work continues with the Settlements to implement initiatives which contribute to more effective governance, enhanced accountability and long term sustainability. *Budget 2008* includes $18 million over three years to support these initiatives.

First Nations Development Fund. 40% of the net proceeds from slot machines at First Nations casinos flows back through this Fund to support the economic, social and community development of First Nation communities. Funding for this program will be $78 million in 2008-09, an increase of $22 million or 39.3% from 2007-08.

SERVICES FOR CHILDREN AND YOUTH

The Ministry of Children and Youth Services' program expense will be $1.1 billion in 2008-09, an increase of $120 million, or 12.2%.

$242 million over three years to begin adding new child care spaces.

Child Care. Funding will total $197 million in 2008-09. Over three years, $633 million will be provided. This includes $200 million in operating and $42 million in capital funding to begin adding 14,000 new child care spaces by 2011. As well, there is $10 million in new funding in 2008-09, and $35 million over three years, to implement a provincial Out-of-School Care program for children 6-12 years old. A $2 million capital grant will help to create new child care spaces in Fort McMurray to meet community needs.

Child Intervention and Foster Care Support. Funding will total $536 million in 2008-09, an increase of $20.5 million, or 4.0% to alleviate demand pressures, inflation, and declining availability of foster homes.

Family Support for Children with Disabilities. Over $107 million in 2008-09 and almost $325 million over three years will be provided for these programs, helping to address increased demand and build rural capacity so children with disabilities have an opportunity to develop to their potential.

Fetal Alcohol Spectrum Disorder. The ten-year, cross-ministry plan is being expanded to decrease the impact of fetal alcohol spectrum disorder, a leading cause of birth defects and lifelong disabilities. Funding in Children and Youth Services will rise to $18 million in 2008-09, an 88.8% increase, to improve diagnostics and assessment capacity and better coordinate services.

Prevention of Family Violence and Bullying. Funding will increase to $39 million in 2008-09, and over $120 million will be provided over three years. This funding includes Aboriginal and ethno-cultural family violence prevention programming, which is one of the Crime Reduction and Safe Communities initiatives.

SUPPORT TO ALBERTANS IN NEED

Supports will be provided to Albertans who are most in need.

Assured Income for the Severely Handicapped (AISH). Effective January 1, 2008, the maximum monthly income benefit to AISH recipients was increased to $1,088. In 2008-09, $666 million is budgeted for the AISH program, an increase of $64 million, or 10.7%. Since 2005-06, AISH funding has increased by over $177 million or 36% as benefits have been enhanced and caseloads increased.

$666 million in 2008-09 for the Assured Income for the Severely Handicapped (AISH) program.

Supports to Persons with Developmental Disabilities Boards. For 2008-09, funding will increase by $30 million, or 5.6%, to $571 million. Almost $1.8 billion will be provided over three years. The government is focused on improving services for persons with developmental disabilities through better coordination and integration of programs.

Seniors Programs. Funding for the Alberta Seniors Benefit, the Seniors Lodge Assistance Program and other seniors programs will exceed $438 million in 2008-09, an increase of $46 million or 11.6%. The increase is largely related to the growing number of seniors qualifying for benefits.

Aids for Daily Living. Nearly $98 million is budgeted in 2008-09, and $294 million will be provided over three years.

Income Support Programs. Income Support programs provide financial benefits to individuals and families who do not have the resources to meet their basic needs, like food, clothing and shelter. *Budget 2008* includes over $940 million for income support programs over three years, including $307 million in 2008-09. Eligible Albertans also receive health benefits for themselves and their dependents. *Budget 2008* includes almost $289 million over three years for health benefit programs for income support clients, including $96 million in 2008-09.

$403 million in 2008-09 for income supports and related health benefits.

PRIORITY: *Enhance value-added activity, increase innovation, and build a skilled workforce to improve the long-run sustainability of Alberta's economy*

Value added activity will be enhanced, increased opportunities for innovation will be supported, and building a skilled workforce will continue, as:

- funding to support operations of the basic education system increases, and a significant investment is made in school facilities;
- funding to support the post-secondary education system increases, affordability and accessibility will be enhanced, and more innovation and technology commercialization in Alberta will be encouraged;
- initiatives to build a skilled workforce will be enhanced, in part through a combination of employment training programs and initiatives to encourage increased immigration and attract more temporary foreign workers, and
- work to address the challenges facing the agriculture industry continues.

Key initiatives in *Budget 2008* that address this priority include;

- $5.8 billion in program expense in 2008-09 for the Ministry of Education;
- $3.4 billion in program expense in 2008-09 for the Ministry of Advanced Education and Technology;
- $229 million in 2008-09, and almost $700 million over three years, to continue building a skilled workforce, and
- $1 billion annually will be provided to the Ministry of Agriculture and Rural Development.

MINISTRY OF EDUCATION

Program spending on the basic education system will be over $5.8 billion in 2008-09. This includes:

Operating expense for the Ministry of Education will increase by $217 million, or 4.3% to $5.2 billion in 2008-09.

- $5.2 billion in operating support to school boards and other educational support – an increase of $217 million or 4.3%.
- $624 million for school capital projects. Over three years, support for school capital projects will be over $1.6 billion, including $511 million for capital maintenance and renewal.

Operating Support to School Boards. In 2008-09, total operating and property tax support to public and separate school boards increases by 4.3%, or $211 million, to more than $5 billion. By 2010-11, this support will approach $5.6 billion, a three-year increase of $705 million, or 14.5%. With the planned increases, school boards will be able to fund the projected costs for teachers' salaries and address projected provincial student enrolment growth of 0.25% for each of the next three years.

Within this budget:

- Operating grants to school boards will increase by 4.53% in September 2008.
- $436 million is provided to operate and maintain schools, an increase of $19 million or 4.7%.
- $212 million is provided for the Class Size Initiative – a 9% or $17.5 million increase. Since 2004-05, government has invested $729 million to reduce class sizes, resulting in the hiring of 2,707 new teachers.
- $77 million is provided for the Alberta Initiative for School Improvement to support local projects that help improve student learning.
- $47 million is provided for the Student Health Services Initiative to increase access to specialized support services for students with special health needs.
- $206 million to fund current service payments for teachers' pensions.

Private Schools. $151 million will be provided to support accredited private schools as well as private operators that provide Early Childhood Services (ECS) programs for children as young as 2-1/2 years of age.

Teachers' Pension Plan. The government and the Alberta Teachers' Association reached an agreement under which the government assumed the teachers' $2.2 billion share of the pre-1992 unfunded pension liability. The cost to government of this liability will be $243 million in 2008-09, budgeted in the Ministry of Finance and Enterprise.

Capital Support for Schools. Over $1.6 billion in capital support to schools is being provided over three years, including $624 million in 2008-09. This will provide:

Over $1.6 billion in capital support to schools.

- $1.1 billion for school expansion and upgrading projects, and
- $511 million for capital maintenance and renewal.

Ministry of Education
(millions of dollars)

	2007-08 Forecast	2008-09 Estimate	2009-10 Target	2010-11 Target
Operating Expense				
Support to school boards	4,854	5,065	5,329	5,559
Less: Property tax support to opted-out boards	(178)	(187)	(195)	(203)
Accredited private schools	144	151	158	166
Basic education/program support	186	194	190	194
Total Operating Expense	**5,006**	**5,223**	**5,482**	**5,716**
Capital Support	615	624	710	326
Amortization	1	1	1	1
Total Program Expense	**5,622**	**5,848**	**6,193**	**6,043**
Operating expense increase (%)	–	4.3	4.9	4.3
Program expense change (%)	–	4.0	5.9	(2.4)

MINISTRY OF ADVANCED EDUCATION AND TECHNOLOGY

In 2008-09, the Ministry of Advanced Education and Technology is receiving over $3.4 billion for operating and capital programs. This is an increase of 5.5%, or $178 million.

Operating expense for the Ministry of Advanced Education and Technololgy will increase by $240 million, or 10.2% to $2.6 billion in 2008-09.

In 2008-09, spending includes nearly $2.6 billion in operating expense, an increase of $240 million or 10.2%. Operating expense is forecast to grow by 6.9% in 2009-10 and 6.6% in 2010-11, to over $2.9 billion. Capital grants in 2008-09 will be $835 million.

Support for Adult Learning. In 2008-09, support for adult learning will increase by a net total $221 million, or 12.1%, to over $2 billion. Base operating grants increase by $86 million to assist institutions in managing inflationary pressures related to staff salaries and facility operating costs. Enrolment planning envelope funding will increase by $125 million, including the $43 million allocated to increase the number of health care graduates. A $23 million increase is provided to support the tuition fee policy.

The government is focused on improving accessibility and affordability in the post-secondary system:

- **Accessibility.** Enrolment planning envelope funding will support capacity expansion in areas such as health care, engineering, apprenticeship and technology programs.
- **Affordability.** Tuition fee increases will continue to be limited to the rate of inflation in *Budget 2008.* On average, students saved more than $700 on tuition in 2007 under this policy.

Student Assistance. Alberta continues to provide the most generous student assistance and student debt relief programs in Canada. In 2008-09, funding for these programs will total $188 million, including:

- $103 million in scholarships, bursaries and grants. About 36,000 students will receive scholarships.
- $18 million in grants to Registered Education Savings Plans.
- $67 million for Alberta's student loan and debt relief programs. The Alberta Student Loan Relief Benefit and the Loan Relief Completion Payment reduce the debt of students in their first and final years of study.

The Province is also reducing the interest rate payable on Alberta student loans from Prime + 2.5%, to Prime. $126 million in student loans are expected to be disbursed in 2008-09.

Innovation. *Budget 2008* provides about $498 million over three years for innovation, research, and technology commercialization initiatives in areas of strategic importance to Alberta. Key initiatives in this area include:

- $229 million over three years for research and innovation initiatives in priority areas, including energy, life sciences, nanotechnology, and information and communications technology;
- $100 million contribution to the Alberta Enterprise Corporation in 2008-09, to support investments in early-stage venture capital funds, increasing access to capital for early-stage, knowledge-based companies, and

- $169 million over three years for technology commercialization, to extend support for company development in the very early stages, establish product commercialization and business development centres, and initiatives to promote entrepreneurship.

Post-Secondary Capital. Almost $1.5 billion in post-secondary capital projects will be supported over three years. This will provide:

Almost $1.5 billion in support for post-secondary capital projects.

- $1.1 billion for expansion and upgrading projects, and
- $357 million for capital maintenance and renewal.

Ministry of Advanced Education and Technology
(millions of dollars)

	2007-08 Forecast	2008-09 Estimate	2009-10 Target	2010-11 Target
Operating Expense				
Support for Adult Learning	1,827	2,048	2,253	2,390
Student Assistance	162	188	182	182
Research and Innovation Capacity	121	91	69	69
Technology Commercialization	18	43	43	83
Agencies and Access to the Future Fund	137	134	136	138
Program delivery/support	77	78	78	80
Total Operating Expense	**2,342**	**2,582**	**2,761**	**2,942**
Capital grants	900	835	417	210
Amortization	5	8	8	8
Total Program Expense	**3,247**	**3,425**	**3,186**	**3,160**
Operating expense increase (%)	–	10.2	6.9	6.6
Program expense increase (%)	–	5.5	(7.0)	(0.8)

WORKFORCE INITIATIVES

Initiatives to build a skilled workforce and better address labour shortages in critical areas continue in *Budget 2008.*

Immigration Programs. About $80 million is budgeted for immigration programs in 2008-09, up $15.3 million or 24% from 2007-08. Over three years, over $248 million will be provided for these programs. This includes funding for the Provincial Nominee Program, with 3,000 nominees expected in 2008-09, increasing to 5,000 in 2010-11. The government aims to attract 48,000 temporary foreign workers and new immigrants to Alberta in 2008-09, up from 35,889 in 2006.

New Labour Market Agreement. Over $149 million in 2008-09, and nearly $450 million over three years will be provided for employment and training programs, including initiatives under a new labour market agreement expected to be signed with the federal government shortly. Under this new agreement Alberta will receive $315 million over the next six years, primarily to support new or expanded employment training programs.

$450 million for employment and training programs over three years.

AGRICULTURE INDUSTRY

The agriculture industry, and especially the livestock sector, has struggled for a number of years with several significant challenges and changes that impact domestic and international competitiveness. New competitors and technologies, the growing demand for bio-fuels, exchange rates, higher input costs, and labour shortages all impact industry competitiveness.

Agriculture and Rural Development. Program expense for the Ministry will be just over $1 billion annually over the next three years, after falling in 2007-08 due to a short term reduction in Agriculture Financial Services Corporation's commitments for crop insurance indemnities and Canadian Agricultural Income Stabilization (now renamed AgriStability) payments.

The global scope of the challenges facing the agriculture industry require effective coordination of provincial and federal efforts to support the industry. Discussions continue at a national level on the Agriculture Policy Framework II – *Growing Forward*, to update joint federal/provincial agricultural programs, including AgriInsurance, AgriInvest, AgriRecovery and AgriStability. Including federal contributions, these programs will account for about $720 million annually of the Ministry's program spending.

The Competitiveness Initiative was announced in 2007, to review existing research, address information gaps, and make recommendations to improve local, national and international agriculture industry competitiveness. The Ministry will provide about $61 million in 2008-09, increasing to $67 million by 2010-11, to support industry development and competitiveness initiatives.

Agriculture Financial Services Corporation loan limits will increase.

Agriculture Financial Services Corporation Loan Limits. Changes have been made to provide better access to capital for the agriculture industry. The Corporation's per person loan limit will increase from $2 million to $5 million, and the overall borrowing limit for the Corporation has increased from $1.2 billion to $1.4 billion. The change in the per person loan limit will allow the Corporation to continue to serve clients with expanding operations. The increase in the Corporation's overall borrowing limit, the first since 2002, means up to $200 million in additional capital will be available for lending to clients over the next three years.

OTHER INITIATIVES

$66 million in 2008-09 and about $211 million over three years for tourism initiatives.

Tourism. In 2008-09, operating funding for tourism related initiatives will increase by almost $10 million, or 17.5%, to over $66 million. Over three years, about $211 million has been allocated for these initiatives, as the province continues to work to raise awareness of Alberta as a tourism destination and strengthen efforts to facilitate the development of marketable tourism products and new travel destinations.

Recreation and Sport. Through the Alberta Sport, Recreation, Parks and Wildlife Foundation, $1.5 million in 2008-09, and $4.5 million over three years will be provided for a new High Performance Athlete Assistance program that will supplement federal assistance to these athletes.

PRIORITY: *Provide the roads, schools, hospitals and other public infrastructure to meet the needs of a growing economy and population*

The roads, schools, hospitals and other public infrastructure to meet the needs of a growing economy and population will be provided, as:

- implementation of *The 20-year Strategic Capital Plan* released in January continues;
- provincial support for municipalities is further increased, and
- critical water and wastewater management projects are supported.

Key initiatives in *Budget 2008* that address this priority include:

- $2.8 billion through the Capital Plan in 2008-09, and $6.5 billion over three years, for schools, health and post-secondary facilities;
- $1.9 billion through the Capital Plan in 2008-09, and $5.2 billion over three years, for the provincial highway network;
- $1.6 billion through the Capital Plan in 2008-09, and $5 billion over three years in municipal infrastructure support; with another $340 million annually in direct operating support to municipalities, and
- $260 million through the Capital Plan in 2008-09, and $721 million over three years, mostly to municipalities, for water and wastewater management.

PROVINCIAL HIGHWAY NETWORK

With $1.9 billion through the Capital Plan in 2008-09, and $5.2 billion over three years, the government is making a significant investment in the provincial highway network. Funding in 2008-11 provides for:

- continued construction of the strategic economic corridors, including the ring roads in Calgary and Edmonton;
- twinning and other improvements to Highway 63 to Fort McMurray, and
- increased pavement rehabilitation work throughout the province.

SUPPORT TO MUNICIPALITIES

Over $2.1 billion annually in capital and direct operating support to municipalities.

In *Budget 2008*, provincial support to municipalities averages over $2.1 billion annually. This includes $1.6 billion for municipal infrastructure support, $185 million for water and wastewater management projects, and $340 million in direct operating support.

Municipal Sustainability Initiative. As announced in *Budget 2007*, the Municipal Sustainability Initiative (MSI) will provide $1.4 billion per year by 2010-11 to municipalities to help meet their growth and sustainability needs. Over the next three years the province will provide $2.5 billion to municipalities under this initiative, primarily capital grants for core municipal infrastructure such as roads, bridges, public transit and emergency services.

New funding formula for the Municipal Sustainability Initiative.

On September 14, 2007, Premier Stelmach announced the funding formula to be used for the MSI from the 2008 budget year on. The new formula is a hybrid of population, education property tax requisitions, and kilometres of local road. It also includes base funding for all municipalities, as well as sustainable investment funding for municipalities with limited local tax bases.

Other Municipal Infrastructure Support. Municipalities will receive $609 million in 2008-09 and $561 million in 2009-10 under the Alberta Municipal Infrastructure Program, fulfilling the province's commitment to provide $3 billion over five years to support core municipal infrastructure needs. Municipal transportation grants will be $350 million in 2008-09 and more than $1 billion over three years. Another $217 million in 2008-09 and $456 million over three years will be provided in other infrastructure support, including $53 million under the new federal Public Transit Trust.

Direct Operating Support. Municipalities will receive about $340 million annually in direct operating support in *Budget 2008*, including grants for Family and Community Services, policing, libraries, and ambulance services, and other programs such as grants in lieu of taxes and unconditional municipal grants.

Alberta Capital Finance Authority. Through the Alberta Capital Finance Authority (ACFA), local authorities are provided with an opportunity to borrow at interest rates approximating rates available to the Alberta Government. In *Budget 2008*, spending by ACFA will increase to $329 million in 2008-09, and further to $350 million by 2010-11, to accommodate anticipated increases in loan activity.

$3 million annually for a new Capital Region Board.

Capital Region Integrated Growth Management Plan. In response to the report of the Capital Region Integrated Growth Management Plan Project Team, a Capital Region Board will begin developing a plan focusing on key infrastructure issues such as land use, roads and public transit. Included in the Ministry of Municipal Affairs budget is $3 million per year to support the new regional board's operations.

WATER AND WASTEWATER MANAGEMENT

Included in the *2008-11 Capital Plan* is $260 million in 2008-09 and $721 million over three years for water and wastewater management. This includes the following allocations:

- $300 million for regional water/wastewater projects supporting the *Water for Life* strategy;
- $242 million for municipal water and wastewater partnership grants;
- $76 million for irrigation rehabilitation grants, and
- $103 million in other projects.

Most of this funding, $209 million in 2008-09 and $557 million over three years, will be provided to municipalities.

REVENUE OUTLOOK

Budget 2008
THE RIGHT PLAN FOR
TODAY & TOMORROW

Revenue Outlook
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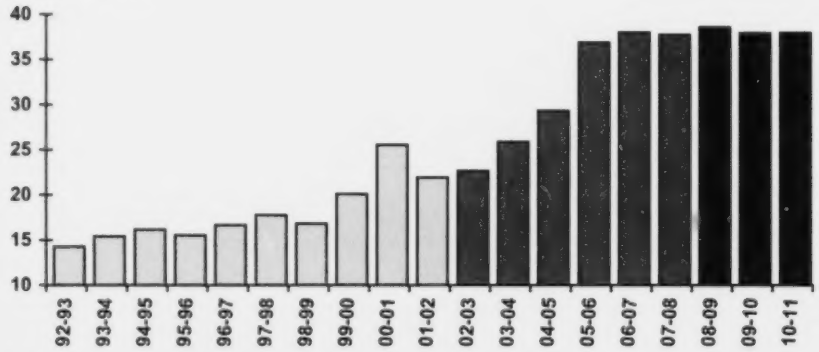
Revenue Outlook

After exceptional increases averaging 18% a year between 2002-03 and 2005-06, revenue growth has slowed. Revenue has been relatively flat at the 2005-06 level for the last two years and is expected to remain essentially flat for the next three years.

Total Revenue[a]
(billions of dollars)



[a] 2005-06 excludes the Alberta 2005 Resource Rebate, which lowered revenue by $1.3 billion.

Revenue growth has slowed after increasing by an average of 18% per year over 2002-06.

In 2008-09, revenue is forecast to increase by $814 million, or 2.2%, to $38.6 billion. Higher resource revenue, federal transfers and personal income tax revenue are mostly offset by lower investment income and corporate income tax revenue, as well as health care insurance premiums elimination in the last quarter of the fiscal year.

Over the next two years, revenue is forecast to decline from $38.6 billion in 2008-09 to $38 billion by 2010-11. This reflects declining resource revenue and the full-year impact of eliminating health care insurance premiums.

Revenue forecast to be $38.6 billion in 2008-09.

Total Revenue
(millions of dollars)

	2006-07 Actual	2007-08 Forecast	2008-09 Estimate	2009-10 Target	2010-11 Target
Tax revenue	14,696	16,308	16,158	16,500	17,168
Non-renewable resource revenue	12,260	10,956	11,709	10,712	10,044
Federal transfers	3,081	3,066	3,795	3,906	3,840
Investment income	3,014	2,440	1,932	2,471	2,544
Other revenue	4,966	4,987	4,977	4,344	4,392
Total Revenue	**38,017**	**37,757**	**38,571**	**37,933**	**37,988**

The forecast incorporates the new royalty framework, which begins on January 1, 2009, and assumes that a new bitumen valuation methodology is used by major oil sands companies beginning in 2009. Global geopolitical events and changes in economic conditions in the US and the rest of the world could significantly affect this revenue forecast.

NON-RENEWABLE RESOURCE REVENUE

Resource revenue has declined 24% from the record $14.3 billion in 2005-06.

Non-renewable resource revenue declined by $1.3 billion, or 10.6%, to $11 billion in 2007-08. Increases in oil royalties were essentially offset by lower natural gas royalties, while land lease sales revenue decreased by over $1.3 billion. Resource revenue has declined by $3.4 billion, or 23.6%, from the record $14.3 billion reached in 2005-06.

Oil royalties jumped by 18.7% in 2007-08 from the 2006-07 level. The average oil price increased by about 27%, to US$82.25 per barrel, but the strength of the Canadian dollar relative to the US dollar lowered the oil price impact on royalties. Natural gas royalties decreased 13.5% due primarily to lower production.

In 2008-09, resource revenue is forecast to increase 6.9%, to $11.7 billion. This largely reflects higher natural gas prices and oil sands production, partly offset by lower land sales revenue. Non-renewable resource revenue is expected to decline to $10 billion by 2010-11, as oil and natural gas prices are forecast to trend down.

This forecast is based on the changes to the royalty structure that are to commence January 1, 2009. It also reflects expected lower conventional production levels, lower land sales, increasing production and processing costs and an increased share of oil royalties paid on bitumen rather than on conventional/synthetic crude oil.

Resource revenue forecast to be $11.7 billion in 2008-09, a 6.9% increase.

Non–Renewable Resource Revenue
(millions of dollars)

	2006-07 Actual	2007-08 Forecast	2008-09 Estimate	2009-10 Target	2010-11 Target
Natural gas and by-products royalty	5,988	5,177	5,684	5,094	4,391
Crude oil royalty	1,400	1,606	1,601	2,121	1,850
Synthetic crude oil and bitumen royalty	2,411	2,918	3,402	2,598	3,047
Coal royalty	13	14	14	14	14
Bonuses and sales of Crown leases	2,463	1,113	868	754	620
Rentals and fees	159	158	140	131	122
Royalty tax credit	(174)	(30)	-	-	-
Total	**12,260**	**10,956**	**11,709**	**10,712**	**10,044**

CHANGES TO ALBERTA'S ROYALTY REGIME

A new royalty framework starts on January 1, 2009. The revenue forecast includes mitigating refinements to the initially proposed royalty structure resulting from the review by government and industry of "unintended consequences." The forecast also assumes that negotiations with Syncrude will be resolved in a manner similar to those concluded with Suncor.

One consequence of the new royalty framework is that resource revenue will become more sensitive to changes in energy prices and production. The following table identifies the estimated increases for conventional oil, oil sands and natural gas arising from the royalty changes. If prices are higher or lower than assumptions used in *Budget 2008*, the impact of the royalty changes would be higher or lower than shown.

Increase in Revenue under New Royalty Framework[a]
(millions of dollars)

	2008-09	2009-10	2010- 11
Conventional oil	226	895	757
Oil sands	121	556	787
Natural gas	119	435	264
Total	**466**	**1,886**	**1,808**

[a] Based on *Budget 2008* price and production assumptions.

NATURAL GAS AND BY-PRODUCTS ROYALTY

Natural gas royalties account for nearly half of total non-renewable resource revenue. After peaking in 2005-06 at $8.4 billion, when prices averaged Cdn$8.29 per gigajoule (GJ), royalties declined to $6 billion in the following year. In 2007-08, natural gas royalties continued to decline to $5.2 billion.

Near-record North American storage levels, reduced hurricane activity for several years, strong North American production and record high liquefied natural gas imports in 2007 have been the main factors behind the lower natural gas prices.

Natural gas prices expected to increase by 87 cents to Cdn$6.75 per GJ in 2008-09.

Natural gas prices are forecast to increase by 87 cents to Cdn$6.75 per GJ in 2008-09 due to lower volumes of gas in storage, lower US liquefied natural gas imports, a flattening of US production and healthy world economic growth. Natural gas prices are expected to decline to $6.40 and $6.25 for 2009-10 and 2010-11, respectively, based on forecast lower oil prices and an increase in liquefied natural gas imports in the US.

Natural gas royalties forecast to increase to $5.7 billion in 2008-09.

Natural gas royalties are forecast to be $5.7 billion in 2008-09, nearly 10% higher than 2007-08. They are anticipated to fall by $1.3 billion, to $4.4 billion by 2010-11, an average decrease of 12% per year. This reflects expected lower production levels, the declining price and increased costs of processing.

Natural gas production is forecast to decline by about 8% over the next three years, with a 9.3% reduction in conventional gas production partially offset by a 27% increase in coal bed methane gas. The royalties received on coal bed methane gas are lower than conventional gas reflecting lower well production rates and higher costs.

Natural Gas Assumptions

	2006-07 Actual	2007-08 Forecast	2008-09 Estimate	2009-10 Target	2010-11 Target
Revenue (millions of dollars)	5,988	5,177	5,684	5,094	4,391
Price (Cdn$/GJ)	5.94	5.88	6.75	6.40	6.25
Production (billions of cubic feet)					
Conventional	5,090	4,896	4,713	4,553	4,441
Coal bed methane	181	214	202	241	272

OIL ROYALTIES

Conventional and non-conventional oil royalties account for about 40% of non-renewable resource revenue. Reflecting record oil prices in 2007-08, oil royalties reached $4.5 billion, an increase of 18.7% from 2006-07.

Total oil royalties forecast to increase by nearly 11% in 2008-09.

In 2008-09, oil royalties are forecast to increase by a further 10.6%, to $5 billion, almost entirely due to higher oil sands production. Royalties are expected to decline to $4.7 billion in 2009-10 largely due to the expectation that Suncor and Syncrude will elect to pay royalties based on bitumen rather than synthetic crude. The bitumen price as a percentage of the WTI oil price in Canadian dollars varies, but tends to average between 40% and 50%.

Oil prices forecast at US$78 per barrel in 2008-09. In 2006-07, oil prices averaged US$65 per barrel.

Oil prices are forecast to decrease to US$78 per barrel in 2008-09, and to US$74 and US$72 per barrel in 2009-10 and 2010-11 respectively. This is based on healthy world economic growth, increases in supply catching up to growth in world demand by 2012, easing geopolitical tensions and a reduction in associated risk premiums embedded in prices.

Oil sands royalties account for about 27% of non-renewable resource revenue. Royalties from oil sands have been increasing strongly over the last five years. In 2008-09, increased production will lead to revenue increasing from $2.9 billion to $3.4 billion.

Oil sands production is expected to continue to grow over the forecast period. However, oil sands royalties are forecast to decrease by $804 million in 2009-10 to $2.6 billion. This is mainly due to the expectation that Suncor and Syncrude will choose to pay royalties based on lower-priced bitumen instead of on the crude oil price. This is offset somewhat by royalty regime changes. In 2010-11, oil sands royalties are forecast to increase from the new base, reflecting continued higher production.

Crude oil royalties at highest level since 1985-86.

Conventional crude oil royalties account for about 15% of total non-renewable resource revenue. Record oil prices in 2007-08 lifted crude oil royalties to $1.6 billion, their highest level since 1985-86.

In 2008-09, crude oil royalties are forecast to be virtually unchanged at $1.6 billion, but then are expected to climb to $2.1 billion in 2009-10 due to the full-year impact of the royalty changes and the forecast weakening of the Canadian dollar. However, crude oil royalties are forecast to begin declining again in the final year of the forecast, with oil prices, production and well-productivity expected to continue decreasing.

Oil Assumptions

	2006-07 Actual	2007-08 Forecast	2008-09 Estimate	2009-10 Target	2010-11 Target
Revenue (millions of dollars)					
Crude oil	1,400	1,606	1,601	2,121	1,850
Synthetic crude/bitumen	2,411	2,918	3,402	2,598	3,047
Price					
WTI (US$/barrel)	64.89	80.72	78.00	74.00	72.00
Bitumen (Cdn$/barrel)	39.86	39.97	38.90	37.97	36.79
Production (000's barrels/day)					
Conventional	534	520	506	490	477
Non-conventional	1,201	1,354	1,671	2,002	2,300

BONUSES AND SALE OF CROWN LEASES

The sale of Crown leases reached a record $3.5 billion in 2005-06, about three times higher than the previous record. The increase was primarily due to the sale of leases for oil sands areas. Lease sales revenue declined to $2.5 billion the following year and to $1.1 billion in 2007-08. Over the next three years, bonuses and sales of Crown leases are expected to average about $750 million a year. The decline largely reflects lower revenue from oil sands leases. 99% of the surface mineable area is leased as is 45% of the in-situ area.

ENERGY PRICE FORECASTS BY OTHER ORGANIZATIONS

The rapid rise in energy prices in recent years was not expected by most energy analysts. Today, there is a wide range of views on prices, both for this fiscal year and for the trend over time.

Over the next three years, national forecasting agencies and energy industry analysts generally expect oil prices to decline from current peaks to under $80. However, investment firms are much more aggressive in their price outlook, with most expecting prices to remain in the $90 to $110 range.

The more optimistic outlook of investment firms results in the average price of private forecasters being in the mid $80 range over the next three years.

Alberta Energy's price forecast is much closer to the outlook of national forecasting agencies and energy industry analysts, who generally expect oil prices to be in the $70 to $85 range. Alberta Energy's forecast is based on:

- Healthy world economic growth of about 4%;
- No supply disruptions due to geopolitical circumstances;
- A reduction in the "premium" embedded in oil prices associated with geopolitical tensions, potential supply disruptions and market speculation.

Comparison of Energy Price Forecasts

	Private Forecasts [a]			*Budget*
	High	Low	Average	*2008*
2008-09				
Oil price (WTI US$/bbl)	104.45	71.26	88.00	78.00
Natural gas price (Cdn$/GJ)	8.27	5.88	7.00	6.75
2009-10				
Oil price (WTI US$/bbl)	106.25	64.88	85.40	74.00
Natural gas price (Cdn$/GJ)	8.08	5.47	6.82	6.40
2010-11				
Oil price (WTI US$/bbl)	110.00	67.00	86.14	72.00
Natural gas price (Cdn$/GJ)	7.75	5.21	6.62	6.25

a Forecasts have been converted to a fiscal year basis, and for natural gas prices, from Henry Hub US$/MMBTU basis to Cdn$/GJ.

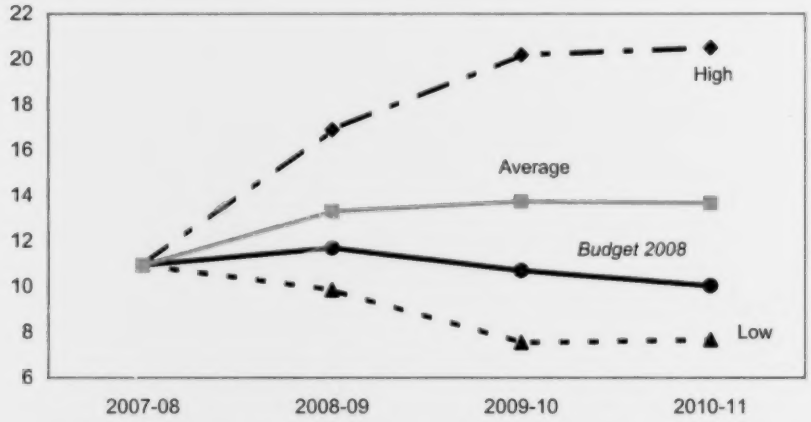
There is about a US$40 range in oil prices and Cdn$2.50/GJ range in natural gas prices between high and low private forecasts.

The range between high and low price forecasts is remarkable. There is about a US$40 range in oil prices and Cdn$2.50/GJ range in natural gas prices. In 2008-09, these prices produce non-renewable resource revenue ranging between $10 billion and $17 billion. In 2009-10, this range widens to between $8 billion and $20 billion.

$7 billion range in private forecasters views for 2008-09 resource revenue. In 2009-10, over $12 billion range.

Energy Revenue Scenarios[a]

(billions of dollars)



a Energy revenue scenarios are based on a survey of oil and natural gas prices. Not all of these forecasts are publicly released.

TAX REVENUE

Tax revenue accounts for about 42% of total revenue. Tax revenue is estimated at $16.2 billion in 2008-09, $150 million or 0.9% lower than in 2007-08. The decrease is largely from positive prior years' adjustments in 2007-08. Excluding these adjustments, 2008-09 base tax revenue is increasing by 5.1%. In the next two years, tax revenue is forecast to grow by an average of 3.1% a year. Growth in other tax revenue is somewhat offset by lower corporate income tax revenue.

PERSONAL INCOME TAX REVENUE

Base personal income tax revenue forecast to increase by 8.1% in 2008-09.

Forecast at $8.6 billion in 2008-09, $261 million higher than 2007-08. Excluding the prior years' adjustment, base personal income tax revenue is forecast to increase by 8.1% in 2008-09. In the following two years, personal income tax revenue is expected to grow by an average of 6.6% per year. The forecast assumes continued healthy personal income growth, driven by strong job creation and high labour income, and includes tax changes.

Personal Income Tax Revenue

(millions of dollars)

	2006-07 Actual	2007-08 Forecast	2008-09 Estimate	2009-10 Target	2010-11 Target
Base revenue	6960	7,968	8,614	9,201	9,786
Prior years' adjustments	662	385	–	–	–
Total	**7,622**	**8,353**	**8,614**	**9,201**	**9,786**
Base revenue % increase			8.1	6.8	6.4

CORPORATE INCOME TAX REVENUE

Forecast at $3.8 billion in 2008-09. This is $609 million less than in 2007-08. Excluding the one-time adjustment of $551 million in 2007-08, base revenue is forecast to decrease by $58 million, or 1.5% in 2008-09. This follows a 30% increase over the two years 2005-07 as a result of strong growth in Alberta's economy and corporate profits.

Corporate income tax revenue is forecast to decline by $350 million in 2009-10 and be essentially flat in 2010-11. The decrease is due primarily to corporate profits receding from their recent record highs. Corporate profits are expected to decrease as a result of slowing economic growth, lower energy prices, the strong Canadian dollar, continued high labour costs, and higher depreciation expense deductions arising from significant recent corporate capital investment.

After several years of rapid growth, corporate income tax revenue is expected to flatten.

Corporate Income Tax Revenue
(millions of dollars)

	2006-07 Actual	2007-08 Forecast	2008-09 Estimate	2009-10 Target	2010-11 Target
Base revenue	3,606	3,832	3,774	3,424	3,405
Prior years' adjustment	–	551	–	–	–
Total	**3,606**	**4,383**	**3,774**	**3,424**	**3,405**
Base revenue % increase		6.3%	(1.5%)	(9.3%)	(0.6%)

EDUCATION PROPERTY TAX REVENUE

Forecast at $1.5 billion in 2008-09, an increase of $72 million, or 5.2% from 2007-08. By 2010-11, revenue is expected to grow by $118 million, about 4% a year. While education property tax revenue is increasing, mill rates are being reduced by about 10.6% in 2008-09, in order to only capture growth in actual assessment (new homes and businesses, and renovations).

Education property tax mill rates reduced by about 10.6% in 2008-09.

OTHER TAX REVENUE

Revenue from other taxes is forecast to reach $2.3 billion in 2008-09, a $126 million, or 5.7% increase from 2007-08. Over the subsequent two years, other tax revenue is expected to increase by $89 million, or an average of 1.9% a year. Forecast population and economic growth are expected to increase revenue from tobacco, fuel and insurance taxes and the tourism levy, which is partially offset by a $29 million reduction in freehold mineral rights tax revenue.

Total Tax Revenue
(millions of dollars)

	2006-07 Actual	2007-08 Forecast	2008-09 Estimate	2009-10 Target	2010-11 Target
Personal income tax	7,622	8,353	8,614	9,201	9,786
Corporate income tax	3,606	4,383	3,774	3,424	3,405
Education property tax	1,330	1,378	1,450	1,508	1,568
Other taxes	2,138	2,194	2,320	2,367	2,409
Total Tax Revenue	**14,696**	**16,308**	**16,158**	**16,500**	**17,168**

TRANSFERS FROM GOVERNMENT OF CANADA

Federal transfers make up about 10% of total revenue.

Federal transfers, which make up about 10% of total revenue, are forecast at $3.8 billon in 2008-09, $729 million, or 23.8% higher than in 2007-08.

The increase primarily reflects the impact of federal increases to base funding under the Canada Health Transfer (CHT) and Canada Social Transfer (CST), Alberta's higher projected population growth relative to other provinces, and several negative prior years' adjustments reflected in the 2007-08 numbers.

Federal transfers are expected to be relatively flat over the following two years. Increases in health and social transfers are offset by the planned ending of some specific-purpose transfers by 2010-11.

HEALTH TRANSFERS

Health transfers are estimated at $1.6 billion in 2008-09, $248 million, or 18.3% higher than 2007-08. This increase largely reflects a negative prior years' adjustment in 2007-08 which reduced revenue in that year.

Health transfers are forecast to increase by an average of 7% in the following two years, reaching $1.8 billion by 2010-11. The national escalator for the main health transfer program, the CHT, grows by 6% per year and Alberta's increasing share of the national population adds another 1%.

CANADA SOCIAL TRANSFER

The CST provides support for post-secondary education and social programs. It is forecast to increase by $255 million, or 29.4% to $1.1 billion in 2008-09.

Last year, the CST was placed on a per capita basis, and ceased to be linked to provincial personal and corporate income tax bases. The increase in 2008-09 reflects additional federal initiatives for post-secondary education and child care, a negative $132 million prior years' adjustment reflected in 2007-08 revenue, and Alberta's relatively strong population growth.

CST revenue is expected to increase at an average rate of 4.1% in the following two years, slightly faster than the 3% growth in the national cash transfer, because of Alberta's relatively strong population growth.

AGRICULTURE SUPPORT PROGRAMS

Forecast at $333 million in 2008-09, an increase of $138 million from 2007-08. Agriculture support programs were below normal in 2007-08 due to lower cost-shared CAIS/Agri-Stability program payments. Agriculture transfers are expected to remain at about $330 million a year for the next three years.

OTHER FEDERAL TRANSFERS

Other federal transfers are forecast at $737 million in 2008-09, $88 million, or 13.6% higher than in 2007-08. This includes several new special "trust" transfers announced by the federal government including the Canada Eco Trust for Clean Air and Climate Change, Community Development Trust, Public Capital Transit Trust 2008 and Police Officers Recruitment Fund.

Other transfers are currently forecast to decrease by 38% to $460 million over the following two years, with the majority of the decrease occurring in 2010-11 when the 5-year Building and Supporting Communities program expires. The federal government has indicated that this program will be extended, and has also announced its intention to provide additional infrastructure support through the Building Canada Fund. Neither of these transfers, worth approximately $350 million to Alberta, have been included in the forecast as agreements were not finalized.

Transfers from Government of Canada
(millions of dollars)

	2006-07 Actual	2007-08 Forecast	2008-09 Estimate	2009-10 Target	2010-11 Target
Health transfers	1,590	1,356	1,604	1,708	1,835
Canada Social Transfer	490	866	1,121	1,167	1,215
Agriculture support programs	251	195	333	329	330
Other transfers	750	649	737	702	460
Total Federal Transfers	**3,081**	**3,066**	**3,795**	**3,906**	**3,840**

INVESTMENT INCOME

At March 31, 2008, Alberta had about $45 billion in financial assets that are invested to meet short-term, medium-term and longer-term objectives.

In 2008-09, investment income is estimated to be $1.9 billion. This is a decrease of $508 million or 20.8% from 2007-08, and nearly 36% lower than in 2006-07. This primarily reflects lower realized returns from equity markets, lower interest rates and lower balances in some funds.

Equity market performance was very strong in 2006 and through most of 2007. However, since October 2007 there has been a major correction. This recent downturn in financial markets is reflected in Alberta's investment income performance in 2007-08 and in 2008-09, as income (losses) are realized with portfolio "turn-over." The forecast anticipates market returns closer to historical levels, leading to investment income recovering by the second and third years.

Equity market performance strong in 2006 and most of 2007, but has been weak for the last 6 months.

Performance of Major Stock Markets
(Closing market values measured in % at start/end of period)

Investment Income
(millions of dollars)

	2006-07 Actual	2007-08 Forecast	2008-09 Estimate	2009-10 Target	2010-11 Target
Heritage Fund	1,614	938	774	1,097	1,175
Endowment funds	286	151	116	193	213
Alberta Capital Finance Authority	295	311	329	343	350
Agriculture Financial Services Corp.	97	105	111	127	140
Sustainability Fund	218	336	205	300	320
Capital Account	184	306	185	190	115
Debt Retirement Account	98	89	62	48	41
Other investment income	222	204	150	173	190
Total Investment Income	**3,014**	**2,440**	**1,932**	**2,471**	**2,544**

HERITAGE FUND AND ENDOWMENT FUNDS

These funds, with a book value of $19.6 billion as of March 31, 2008, are invested for long-term returns. In 2007-08, the market value of these funds is not expected to have appreciated.

Heritage Fund market value rate of return estimated at 8% in 2008-09.

In 2008-09, these funds are forecast to have a market value rate of return of 8%. However, the income from the higher market return will not be fully realized until future years. Realized income in 2008-09 is forecast to drop by $199 milllion from 2007-08, reflecting the weakness in equity markets during the last year.

In 2009-10, realized income of these funds is forecast to increase by 45% from 2008-09. This reflects the expected recovery in equity markets.

Heritage Fund Return and Asset Mix Assumptions [a]

Type of investment:	Expected Return (%)	Asset Mix (%)	Market Returns (%) 5-Year	1-Year
Canadian public equities	8.0	15	18.5	9.1
Foreign public equities	8.0	30	7.7	(6.8)
Real estate	8.0	10	17.9	20.2
Private equity	11.0	6	9.8	10.9
Private income	9.0	6	n.a	12.7
Timberland	8.0	2	n.a.	59.0
Absolute return strategies	6.75	6	8.0	9.3
Active management value added	0.60	n.a.	n.a.	n.a.
Fixed income	market interest rates	24	6.0	2.3
Money market	market interest rates	1	3.1	4.0
Total	**8.0**	**100**	**10.5**	**3.3**

Returns from active management built into Heritage Fund expected income.

[a] Expected return is based on the fair market value, not book value, of Heritage Fund assets. Actual Market Returns are calculated on a calendar year basis to December 2007 and based on fair market value. The actual returns on a fiscal year basis to March 31, 2008 were not yet available. However, due to the market weakness in the first quarter of 2008, returns are likely to be lower. The estimated fair market value of the Heritage Fund at March 31, 2008 was $16.5 billion, unchanged from the prior year.

SUSTAINABILITY FUND, CAPITAL ACCOUNT, DEBT RETIREMENT ACCOUNT

These accounts had combined assets of $17 billion at March 31, 2008. The assets are invested primarily in short to medium-term investments as withdrawals are required for capital projects, debt maturities, and potential requirements for emergencies and disasters. These assets are expected to earn total investment income of $452 million in 2008-09, a decrease of nearly 40% from 2007-08. This reflects lower interest rates and lower balances in the Capital Account and the Debt Retirement Account.

In the following two years, investment returns from these accounts are expected to be in the 3.5% to 4% range. The impact of higher interest rates will be partially offset by reduced asset levels due to additional planned withdrawals from the Capital Account and the Debt Retirement Account.

ALBERTA CAPITAL FINANCE AUTHORITY AND AGRICULTURE FINANCIAL SERVICES CORPORATION

These two self-supporting organizations had assets of $8 billion at March 31, 2008. The Alberta Capital Finance Authority allows municipalities and other local authorities to borrow at rates based on the provincial government's AAA rating, currently between 3.4% and 4.7%, depending on the term of the loan. The Agriculture Financial Services Corporation provides low cost farm loans and manages the government's agriculture insurance programs. In 2008-09, these two organizations' total investment income is forecast at $440 million, a 5.8% increase from 2007-08, due mainly to a forecast increase of about $900 million in loans/assets. Revenue is forecast to grow by an average of 5.5% in the following two years, with assets increasing by about $1.4 billion and investment returns expected to be about 3.5%.

REVENUE FROM OTHER SOURCES

Revenue from other sources is estimated at $5 billion in 2008-09, almost unchanged from 2007-08. Over the following two years revenue from other sources is forecast to decline by an average of 6.2% per year, to $4.4 billion. This reflects the elimination of health care insurance premiums on January 1, 2009 which lowers revenue by $230 million in 2008-09 and by another $752 million in 2009-10. Excluding health care insurance premiums, other revenue is forecast to increase by 5.5% in 2008-09 and by an average of 2% per year over the following two years.

GAMING AND LIQUOR REVENUE

Forecast to decline slightly in 2008-09 due to the expected impact on gaming revenue of a province-wide smoking ban, partly offset by new and expanded gaming facilities. Revenue is expected to grow by an average of 2.7% in 2009-10 and 2010-11 as a result of population and personal income growth.

ALBERTA TREASURY BRANCHES

Net income of ATB to the end of the third quarter 2007-08 was reduced by a $106 million write-down related to non-bank sponsored asset-backed commercial paper. Beginning in 2008-09, a portion of ATB net income will be transferred annually to the province's General Revenue Fund in lieu of tax typically paid by other financial institutions.

PREMIUMS, FEES AND LICENCES

Health care insurance premiums elimination on January 1, 2009 will reduce revenue by almost $1 billion.

Revenue is estimated at $1.8 billion in 2008-09, a decrease of $141 million or 7.2% from 2007-08. Health care insurance premiums elimination on January 1, 2009 reduces 2008-09 revenue by $230 million. This revenue loss is partially offset by increases in levies charged by the Alberta Utilities Commission and Energy Resources Conservation Board and various other premiums, fees and licenses.

In 2009-10, premiums, fees and licences revenue is forecast to be $719 million lower than 2008-09 due mainly to the full year impact of health care insurance premiums elimination, which reduces revenue by another $752 million.

OTHER REVENUE

Other revenue is expected to increase by $67 million in 2008-09, due mainly to emissions management credits being paid for the full fiscal year and to increased fees from Canada Health Infoway. Other revenue is expected to decline in the following two years, primarily as a result of the expiration of Canada Health Infoway funding.

Revenue from Other Sources
(millions of dollars)

	2006-07 Actual	2007-08 Forecast	2008-09 Estimate	2009-10 Target	2010-11 Target
Alberta Gaming & Liquor Commission	2,192	2,220	2,196	2,286	2,318
Alberta Treasury Branches	274	174	262	278	302
Health care insurance premiums	926	982	752	-	-
Other premiums, fees and licences	950	981	1,070	1,103	1,123
Other	624	630	697	677	649
Total Revenue from Other Sources	**4,966**	**4,987**	**4,977**	**4,344**	**4,392**

Revenue Sources and Key Drivers

A significant portion of Alberta government revenues comes from non-renewable resources and investment income and is subject to considerable volatility. The following table describes Alberta's revenue sources and their key drivers.

Revenue Source and Key Drivers	Comments
Income Tax Revenue	
Personal Income Tax • Economic and labour market conditions that affect personal income • Number of tax payers (population) • Inflation	• Revenue generally tracks closely to nominal GDP growth. • Adjustments to prior year estimates are made as a result of differences between actual taxable income assessed by Canada Revenue Agency and personal income estimated by Statistics Canada. • Alberta is required to follow the federal definition of taxable income. • Provincial tax credits are indexed to inflation.
Corporate Income Tax • Corporate taxable income/profits • General economic conditions e.g., labour and other cost inflation, exchange rates, energy prices	• Volatile and highly sensitive to changes in key drivers. • The timing and use of discretionary tax pools (e.g. capital cost allowance pools, loss pools, exploration and development pools) adds to volatility. • Corporate profits are at near record level as % of GDP. • Alberta administers its corporate tax system, but generally maintains consistency with the federal system.
Other Taxes	
Education Property Tax • Construction growth (new and improvements to existing)	• Tends to be a stable source of revenue. • Current policy is to lower rates to offset inflationary growth.
Other taxes • Tobacco, Fuel, Insurance Taxes, Tourism Levy - based on consumption and driven by population and economic growth • Freehold Mineral Rights Tax based on energy prices and production	• Tend to be stable sources of revenue (tobacco, fuel, tourism, insurance). • Tobacco revenue can be affected by smuggling/criminal activity and tobacco use reduction efforts.
Non-renewable Resource Revenue	
Natural gas and by-products royalty • Price and production • Global economic growth • Weather • Liquefied natural gas (LNG) imports • Environmental issues	• The new royalty system will increase revenue sensitivity to price changes. • Possibility of a US recession in 2008 would reduce demand. • LNG imports to North America are a growing additional source of supply that may put downward pressure on prices.
Crude oil royalty • Price and production • Global economic growth • OPEC market influence and non-OPEC supply additions • Geopolitical tensions • Environmental issues	• The new royalty system will increase revenue sensitivity to price changes. • Prices are extremely unpredictable. Wide range of views based on opinions about global demand and supply growth. • Uncertainty about size and duration of geopolitical "risk premium" in oil prices.
Synthetic crude oil and bitumen royalty • Price (including bitumen valuation) and production • Investment and operating costs due to 'revenue minus cost' royalty regime • Environmental issues	• The new royalty system will increase revenue sensitivity to price changes. • Agreement with Syncrude still under negotiation. • Royalties paid on bitumen prices expected to reduce 2009-10 revenue. • Bitumen valuation methodology being developed. • High costs erode government revenue share.
Other • Includes bonuses and sale of crown leases, rentals and fees, and coal royalty • Activity in industry • Number/location of leases up for auction • Environmental issues	• Sale of crown leases reached a record of $3.5 billion in 2005-06 and has been declining since. • 99% of surface mineable area is leased, while 45% of the in-situ area is leased.

Revenue Sources and Key Drivers

Revenue Source and Key Drivers	Comments
Transfers from the Government of Canada	
• Includes Canada Health Transfer (CHT), Canada Social Transfer (CST), Agriculture Support programs, and other transfers • Federal policy and program parameters • Population • Income tax yields (CHT only)	• CHT scheduled to move to per capita cash basis in 2013-14, which should decrease revenue volatility since it is no longer affected by tax yields. • Over the last few years, federal government has introduced short term "trust" transfers near the end of the fiscal year. • Agriculture support programs are affected by weather, commodity prices, trade barriers, crop/livestock disease and pests (e.g., BSE).
Net Income from Commercial Operations.	
Gaming and Liquor Revenue • Population • General economic conditions • Personal income	• Lottery proceeds are used to support volunteer and community-based initiatives. • Gaming and liquor revenue influenced by societal trends and disposable income.
Other • Mainly Alberta Treasury Branches (ATB) • Economic and business conditions • Loan defaults and investment gains/losses	• ATB write-down of asset-backed commercial paper in 2007-08. • Starting in 2008-09, a portion of ATB net income to be transferred annually to the Province, in lieu of tax typically paid by other financial institutions.
Premiums, Fees and Licences	
Health Care Insurance Premiums	• Premiums to be eliminated as of January 1, 2009.
Other Premiums, Fees and Licences • Includes motor vehicle licenses, crop and hail insurance premiums, land titles • Mainly volume/population driven	• The Supreme Court ruled that fees cannot exceed reasonable costs of providing the good or service. • Land titles are affected by housing starts and home sales. • Crop and hail insurance premiums are affected by commodity prices, crop conditions, and exchange rates.
Investment Income	
Long-term investments • Includes the Alberta Heritage Savings Trust Fund and endowment funds • Global equity markets • Interest and exchange rates	• In the short-term, realized income is volatile due to market swings as assets are bought and sold. • Over the longer-term, swings in income are expected to even out. • One-third of unbudgeted surplus allocated to savings.
Loan/Insurance portfolios • Includes Alberta Capital Finance Authority and Agriculture Financial Services Corporation • Interest rates • Amount of municipal borrowing • Health of agriculture sector and availability of conventional borrowing sources	• Objectives of provincial agencies are policy-oriented, not focused on maximizing investment returns.
Short to medium-term investments • Includes Sustainability Fund, Capital Account, Debt Retirement Account • Interest rates • Timing and amount of withdrawals • Emergencies/disasters, natural gas rebates	• Planned withdrawals from Capital Account and Debt Retirement Account over next three years for capital projects and debt repayment. • Two-thirds of unbudgeted surplus allocated to the Capital Account/capital spending. • Sustainability Fund available to protect government fiscal plan from costs of emergencies/disasters, natural gas rebates and First Nations settlements, and from revenue declines.
Other Revenue	
• Includes insurance company liability for health care costs, traffic fines, Climate Change Emissions Management Fund • Mainly based on population growth	• Amount of emission management credits paid by industry depends on corporate decisions regarding emission management options. • Crown's cost of health services, provided to Albertans injured by negligent operation of automobiles, is covered by Alberta automobile insurers.

FISCAL PLAN TABLES

Budget 2008
THE RIGHT PLAN FOR
TODAY & TOMORROW

Fiscal Plan Tables

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Fiscal Summary [a]

(millions of dollars)

	2006-07 Actual	2007-08 Budget	2007-08 Forecast	2008-09 Estimate	2009-10 Target	2010-11 Target
Revenue	38,017	35,332	37,757	**38,571**	37,933	37,988
Expense						
Program expense						
Operating expense	24,438	27,016	27,138	**29,769**	31,393	32,722
Capital grants [b]	3,476	4,657	5,181	**5,904**	4,896	3,752
Disaster/emergency/natural gas rebates	854	527	580	**375**	325	326
Capital amortization and nominal sum disposals	524	626	602	**735**	759	781
Debt servicing costs	215	235	225	**220**	198	208
Total Expense [c]	29,507	33,061	33,726	**37,003**	37,571	37,789
Surplus [d]	8,510	2,271	4,031	**1,568**	362	199
Net transfer from (to) Sustainability Fund/Capital Account [e]	(8,510)	(1,956)	(4,031)	**(1,243)**	(22)	151
Contingency Allowance	-	315	-	**325**	340	350

a For fiscal policy purposes under the *Fiscal Responsibility Act*. Amounts in 2006-07 and 2007-08 have been restated to be comparable to 2008-09 presentation.

b Includes capital grants to local authorities and capital support for capital planning, accommodation and facility preservation.

c Capital investment (not included in expense). 1,295 2,051 1,974 2,817 2,606 2,183

d Does not include equity of Crown-controlled SUCH sector organizations (schools, universities, colleges and health authorities) or the change in pension obligations.

e Net transfer to the Sustainability Fund less transfer from Capital Account for capital grants.

Allocation of Surpluses

(millions of dollars)

	2006-07 Actual	2007-08 Budget	2007-08 Forecast	2008-09 Estimate	2009-10 Target	2010-11 Target
Surplus	8,510	2,271	4,031	**1,568**	362	199
Adjustments						
Contingency Allowance	-	(315)	-	**(325)**	(340)	(350)
Retained income of funds and agencies and cash adjustments [a]	103	(741)	322	**(319)**	(5)	(117)
Net cash required for capital investment [b]	(692)	(1,241)	(1,162)	**(2,074)**	(1,662)	(1,197)
Net withdrawal from Capital Account [c]	-	460	-	**1,529**	1,979	1,805
Net Amount Available for Allocation	7,921	434	3,191	**379**	334	340
Allocation						
Capital Account - net deposits for future-year commitments [d]	1,848	-	1,411	-	-	-
Alberta Enterprise Corporation	-	-	-	**100**	-	-
Heritage Fund - deposit [e]	1,000	-	937	-	-	-
Heritage Fund - inflation proofing	283	284	466	**279**	334	340
Advanced education endowment (in the Heritage Fund)	250	-	-	-	-	-
Scholarship Fund	20	-	227	-	-	-
Medical Research Endowment Fund	150	150	150	-	-	-
Science and Engineering Research Endowment Fund	100	-	-	-	-	-
Alberta Cancer Prevention Legacy Fund	500	-	-	-	-	-
Energy Innovation Fund	200	-	-	-	-	-
Sustainability Fund net increase	3,570	-	-	-	-	-
Total Allocation	7,921	434	3,191	**379**	334	340

a Includes energy and other cash adjustments and increase in 2006-07 fourth quarter results transferred to 2007-08 forecast.

b Cash required for capital investment from current year surplus and/or net withdrawal from Capital Account.

c Net amount withdrawn from Capital Account after current year allocations and withdrawals.

d 2007-08 is based on preliminary actuals. Only $1,381 million was transferred by March 31, 2008. The remaining $30 million will be transferred in 2008-09.

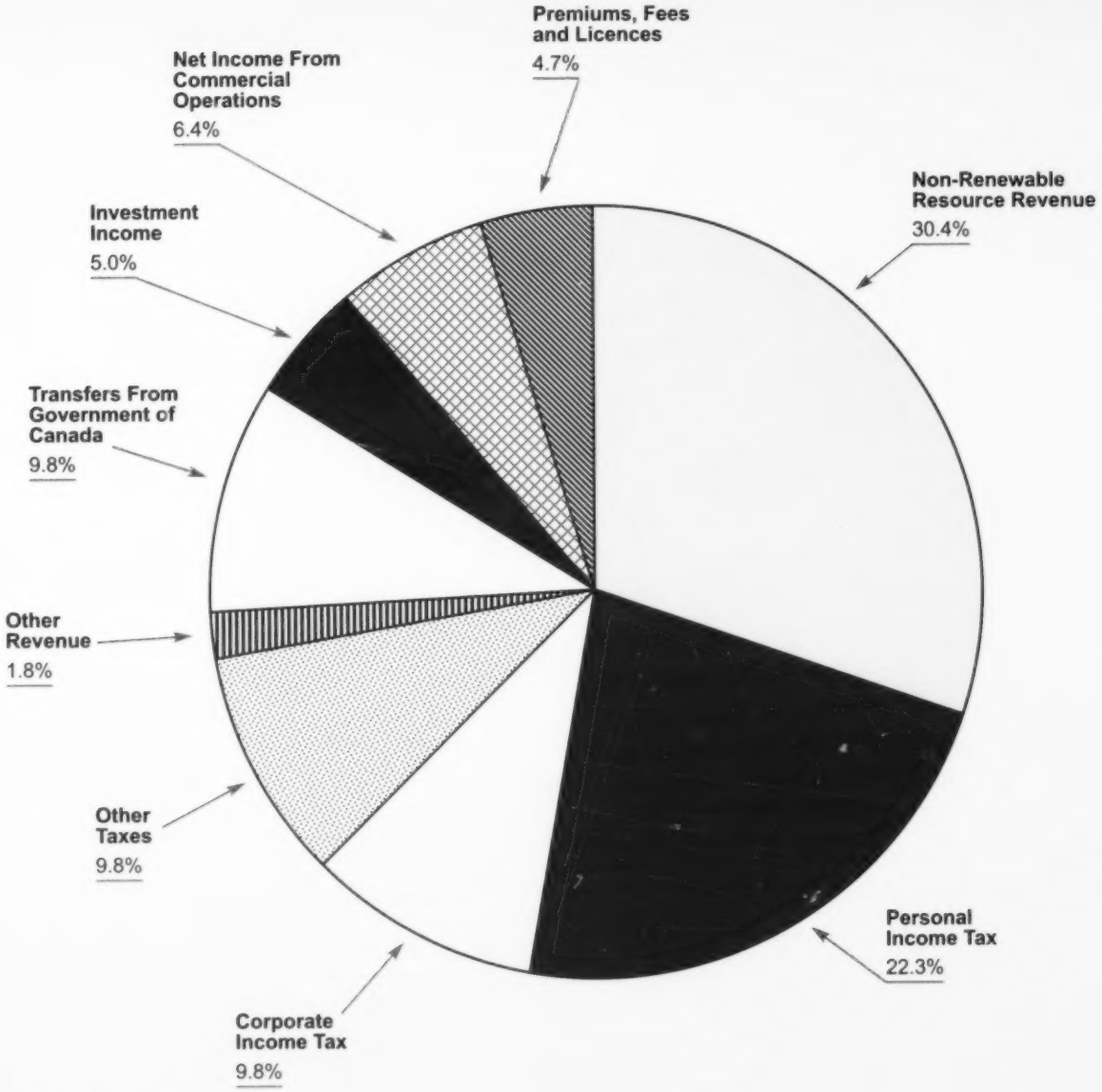
e 2007-08 is based on preliminary actuals. Only $918 million was transferred by March 31, 2008. The remaining $19 million will be transferred in 2008-09, through a Supplementary Estimate.

Revenue

(millions of dollars)

	2006-07 Actual	2007-08 Budget	2007-08 Forecast	2008-09 Estimate	2009-10 Target	2010-11 Target
Income Taxes						
Personal income tax	7,622	7,318	8,353	**8,614**	9,201	9,786
Corporate income tax	3,606	3,126	4,383	**3,774**	3,424	3,405
	11,228	10,444	12,736	**12,388**	12,625	13,191
Other Taxes						
Education property tax	1,330	1,378	1,378	**1,450**	1,508	1,568
Tobacco tax	776	890	870	**890**	910	930
Fuel tax	735	720	755	**775**	795	815
Freehold mineral rights tax	317	333	248	**318**	307	289
Insurance taxes	242	244	249	**263**	280	299
Tourism levy	68	65	72	**74**	75	76
	3,468	3,630	3,572	**3,770**	3,875	3,977
Non-Renewable Resource Revenue						
Natural gas and by-products royalty	5,988	6,023	5,177	**5,684**	5,094	4,391
Crude oil royalty	1,400	1,060	1,606	**1,601**	2,121	1,850
Synthetic crude oil and bitumen royalty	2,411	1,795	2,918	**3,402**	2,598	3,047
Coal royalty	13	15	14	**14**	14	14
Bonuses and sales of Crown leases	2,463	1,214	1,113	**868**	754	620
Rentals and fees	159	153	158	**140**	131	122
Royalty tax credit	(174)	-	(30)	**-**	-	-
	12,260	10,260	10,956	**11,709**	10,712	10,044
Transfers from Government of Canada						
Health transfers	1,590	1,828	1,356	**1,604**	1,708	1,835
Canada Social Transfer	490	924	866	**1,121**	1,167	1,215
Agriculture support programs	251	329	195	**333**	329	330
Other	750	634	649	**737**	702	460
	3,081	3,715	3,066	**3,795**	3,906	3,840
Investment Income						
Alberta Heritage Savings Trust Fund	1,614	1,219	938	**774**	1,097	1,175
Endowment Funds						
Medical Research	146	100	73	**57**	94	103
Science and Engineering Research	80	56	36	**30**	51	56
Scholarship	60	42	42	**29**	48	54
Alberta Capital Finance Authority	295	295	311	**329**	343	350
Sustainability Fund	218	275	336	**205**	300	320
Capital Account	184	210	306	**185**	190	115
Debt Retirement Account	98	81	89	**62**	48	41
Agriculture Financial Services Corporation	97	101	105	**111**	127	140
Other	222	121	204	**150**	173	190
	3,014	2,500	2,440	**1,932**	2,471	2,544
Net Income from Commercial Operations						
Alberta Gaming and Liquor Commission						
Gaming and lottery revenue	1,534	1,448	1,558	**1,516**	1,592	1,611
Liquor revenue	658	642	662	**680**	694	707
Alberta Treasury Branches	274	262	174	**262**	278	302
Other	8	6	8	**7**	7	8
	2,474	2,358	2,402	**2,465**	2,571	2,628
Premiums, Fees and Licences						
Health care insurance premiums	926	919	982	**752**	-	-
Motor vehicle licences	341	332	362	**365**	378	391
Crop and hail insurance premiums	132	181	147	**171**	174	172
Energy Resources Conservation Board levies	75	80	80	**109**	120	127
Land titles	68	70	81	**80**	78	76
Other	334	310	311	**345**	353	357
	1,876	1,892	1,963	**1,822**	1,103	1,123
Other						
Refunds of expense	116	103	113	**109**	109	110
Climate change and emissions management	-	-	63	**92**	95	78
Fines and penalties	86	95	101	**110**	114	114
Miscellaneous	414	335	345	**379**	352	339
	616	533	622	**690**	670	641
Total Revenue	38,017	35,332	37,757	**38,571**	37,933	37,988

2008–09 Revenue
$38.6 billion



Expense by Ministry

(millions of dollars)

Program [a]	2006-07 Actual	2007-08 Budget	2007-08 Forecast	2008-09 Estimate	2009-10 Target	2010-11 Target
Legislative Assembly	70	93	90	**91**	93	98
Aboriginal Relations	56	79	95	**117**	121	126
Advanced Education and Technology	2,505	3,106	3,247	**3,425**	3,186	3,160
Agriculture and Rural Development	1,170	1,026	864	**1,0[illegible]**	1,025	1,010
Children and Youth Services	897	969	979	**1,098**	1,140	1,159
Culture and Community Spirit	309	469	455	**553**	346	350
Education	5,267	5,445	5,622	**5,848**	6,193	6,043
Employment and Immigration	762	821	843	**920**	937	948
Energy	220	299	312	**403**	403	448
Environment	149	162	268	**403**	345	331
Executive Council	22	23	24	**30**	36	37
Finance and Enterprise	799	855	866	**1,003**	1,063	1,090
Health and Wellness	10,705	12,071	12,125	**13,230**	13,903	14,288
Housing and Urban Affairs	239	338	508	**574**	545	545
Infrastructure	800	958	873	**964**	882	885
International and Intergovernmental Relations	26	28	28	**29**	30	31
Justice	328	379	388	**523**	538	541
Municipal Affairs	158	497	520	**691**	787	1,589
Seniors and Community Supports	1,591	1,761	1,742	**1,914**	1,936	1,955
Service Alberta	267	289	288	**295**	300	303
Solicitor General and Public Security	453	511	518	**583**	605	620
Sustainable Resource Development	465	350	495	**375**	340	352
Tourism, Parks and Recreation	130	248	246	**248**	196	185
Transportation	1,866	1,999	2,063	**2,199**	2,200	1,404
Treasury Board	38	50	42	**68**	75	83
Provision for capital cost escalation [b]	-	-	-	**189**	148	-
Total Program Expense	29,292	32,826	33,501	**36,783**	37,373	37,581
Debt Servicing Costs	215	235	225	**220**	198	208
Total Expense	29,507	33,061	33,726	**37,003**	37,571	37,789

a Includes operating expense, capital grants, disaster/emergency assistance, natural gas rebates, amortization, consumption of inventories and nominal sum disposals.

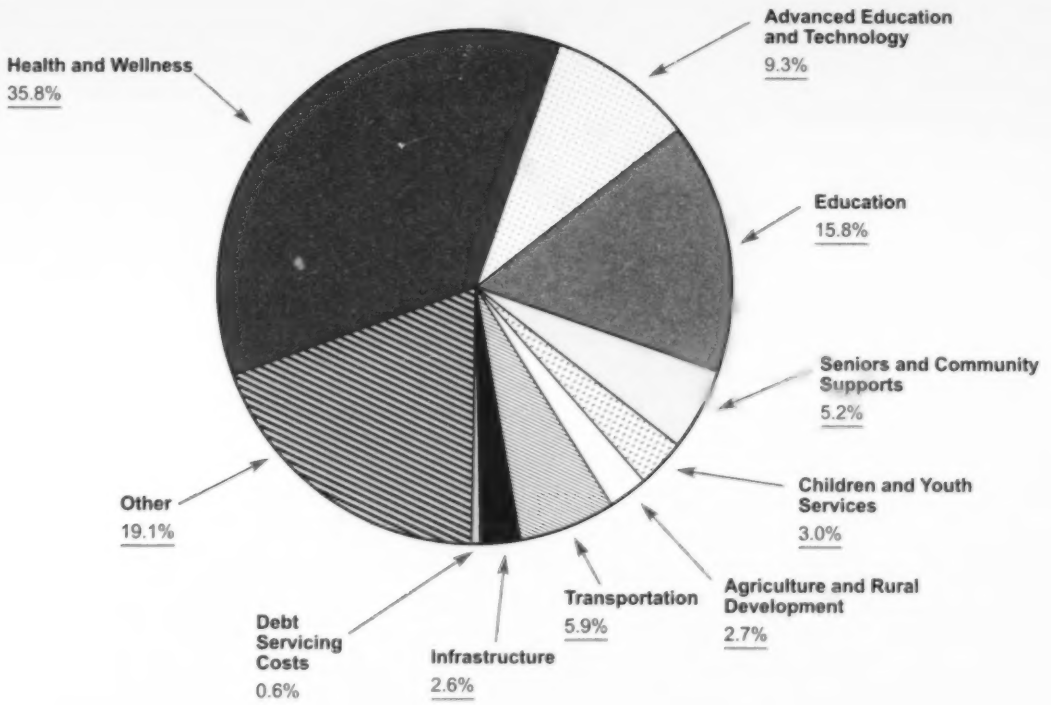
b The provision for capital cost escalation has not been allocated to any ministry.

Expense by Function

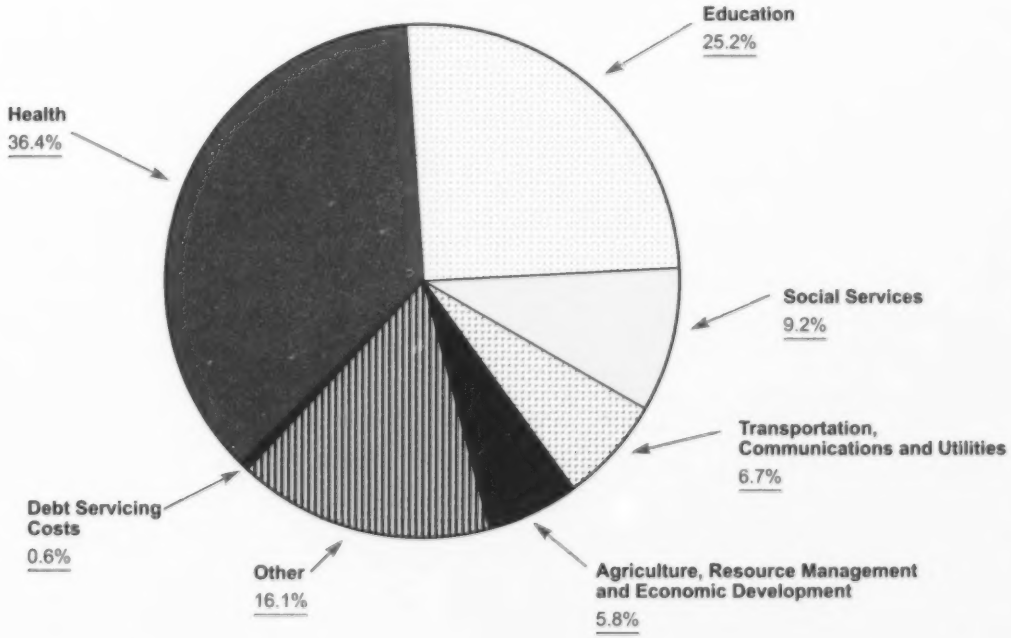
(millions of dollars)

	2006-07 Actual	2007-08 Budget	2007-08 Forecast	2008-09 Estimate	2009-10 Target	2010-11 Target
Health	10,880	12,259	12,322	**13,455**	14,131	14,519
Education	7,817	8,560	8,877	**9,313**	9,443	9,228
Social Services	2,879	3,142	3,134	**3,418**	3,542	3,586
Transportation, Communications and Utilities	2,209	2,394	2,343	**2,497**	2,497	1,695
Agriculture, Resource Management and Economic Development	1,972	2,076	1,910	**2,138**	2,134	2,219
Protection of Persons and Property	1,202	1,176	1,327	**1,382**	1,415	1,446
Regional Planning and Development	419	781	810	**1,068**	1,196	2,011
Recreation and Culture	310	543	545	**655**	377	365
Housing	257	345	533	**619**	543	543
Environment	216	236	354	**483**	425	413
General Government	1,131	1,314	1,346	**1,755**	1,670	1,556
Debt Servicing Costs	215	235	225	**220**	198	208
Total Expense	29,507	33,061	33,726	**37,003**	37,571	37,789

2008–09 Expense by Ministry
$37 billion



2008–09 Expense by Function
$37 billion



2008–09 Ministry Expense by Function

(millions of dollars)

	Health	Education	Social Services	Transportation[a]	Economic Development[b]	Protection of Persons and Property	Regional Planning and Development	Recreation and Culture	Housing	Environment	General Government	Debt Servicing Costs	Total Expense
Legislative Assembly	-	-	-	-	-	-	-	-	-	-	91	-	91
Aboriginal Relations	-	-	-	-	-	-	117	-	-	-	-	-	117
Advanced Education and Technology	-	3,192	-	-	233	-	-	-	-	-	-	-	3,425
Agriculture and Rural Development	-	-	-	-	1,010	-	-	-	-	-	-	53	1,063
Children and Youth Services	-	-	1,098	-	-	-	-	-	-	-	-	-	1,098
Culture and Community Spirit	-	-	-	-	96	8	-	449	-	-	-	-	553
Education	-	5,848	-	-	-	-	-	-	-	-	-	-	5,848
Employment and Immigration	49	271	450	-	94	51	5	-	-	-	-	-	920
Energy	-	-	-	32	302	-	-	-	-	13	56	-	403
Environment	-	-	-	-	-	-	-	-	-	403	-	-	403
Executive Council	-	-	-	-	-	-	-	-	-	-	30	-	30
Finance and Enterprise	78	-	-	-	68	39	335	-	-	-	483	128	1,131
Health and Wellness	13,230	-	-	-	-	-	-	-	-	-	-	-	13,230
Housing and Urban Affairs	-	-	45	-	-	-	7	-	522	-	-	21	595
Infrastructure	1	2	-	330	-	-	-	-	-	28	603	-	964
International and Intergovernmental Relations	-	-	-	-	18	-	-	-	-	-	11	-	29
Justice	-	-	80	-	-	443	-	-	-	-	-	-	523
Municipal Affairs	-	-	-	-	-	32	595	23	-	-	41	-	691
Seniors and Community Supports	97	-	1,720	-	-	-	-	-	97	-	-	-	1,914
Service Alberta	-	-	-	-	3	103	-	-	-	-	189	-	295
Solicitor General and Public Security	-	-	25	-	-	556	-	2	-	-	-	-	583
Sustainable Resource Development	-	-	-	-	231	107	-	-	-	37	-	-	375
Tourism, Parks and Recreation	-	-	-	-	67	-	-	181	-	-	-	-	248
Transportation	-	-	-	2,135	16	43	3	-	-	2	-	18	2,217
Treasury Board	-	-	-	-	-	-	6	-	-	-	62	-	68
Provision for capital cost escalation	-	-	-	-	-	-	-	-	-	-	189	-	189
Total Expense	**13,455**	**9,313**	**3,418**	**2,497**	**2,138**	**1,382**	**1,068**	**655**	**619**	**483**	**1,755**	**220**	**37,003**

a Transportation, Communications and Utilities.

b Agriculture, Resource Management and Economic Development.

2008–09 Ministry Expense by Object

(millions of dollars)

	Salaries, Wages, and Employee Benefits	Supplies and Services	Grants to Others	Internal Government Transfers	Financial Transactions and Others	Amortization of Capital Assets	Intra-Ministry Consolidation Adjustments	Ministry Expense	Inter-Ministry Consolidation Adjustments	Total Expense
Legislative Assembly	51	23	-	-	16	1	-	91	-	91
Aboriginal Relations	8	5	104	-	-	-	-	117	-	117
Advanced Education and Technology	110	98	3,183	142	37	8	(150)	3,428	(3)	3,425
Agriculture and Rural Development	149	55	116	296	730	13	(296)	1,063	-	1,063
Children and Youth Services	234	654	210	741	-	4	(745)	1,098	-	1,098
Culture and Community Spirit	47	40	464	55	-	2	(55)	553	-	553
Education	66	101	5,679	-	5	1	-	5,852	(4)	5,848
Employment and Immigration	163	161	593	-	-	3	-	920	-	920
Energy	195	86	105	71	-	17	(71)	403	-	403
Environment	92	73	216	-	-	22	-	403	-	403
Executive Council	22	8	-	-	-	-	-	30	-	30
Finance and Enterprise	134	90	161	600	833	8	(507)	1,319	(188)	1,131
Health and Wellness	135	172	12,846	100	8	69	(100)	13,230	-	13,230
Housing and Urban Affairs	11	10	529	73	21	24	(73)	595	-	595
Infrastructure	68	347	415	-	65	72	-	967	(3)	964
International and Intergovernmental Relations	18	11	-	-	-	-	-	29	-	29
Justice	321	112	60	-	22	8	-	523	-	523
Municipal Affairs	42	25	622	-	-	2	-	691	-	691
Seniors and Community Supports	141	384	1,387	561	1	1	(561)	1,914	-	1,914
Service Alberta	146	149	-	-	-	38	-	333	(38)	295
Solicitor General and Public Security	233	252	96	1,522	1	2	(2)	2,104	(1,521)	583
Sustainable Resource Development	175	156	30	60	1	13	(57)	378	(3)	375
Tourism, Parks and Recreation	49	82	104	25	-	13	(25)	248	-	248
Transportation	78	389	1,352	-	83	315	-	2,217	-	2,217
Treasury Board	35	30	-	-	2	1	-	68	-	68
Provision for capital cost escalation	-	-	189	-	-	-	-	189	-	189
Total Expense	**2,723**	**3,513**	**28,461**	**4,246**	**1,825**	**637**	**(2,642)**	**38,763**	**(1,760)**	**37,003**

Operating Expense by Ministry[a]

(millions of dollars)

	2006-07 Actual	2007-08 Budget	2007-08 Forecast	2008-09 Estimate	2009-10 Target	2010-11 Target
Legislative Assembly	70	92	90	**90**	92	97
Aboriginal Relations	56	79	95	**117**	121	126
Advanced Education and Technology	2,106	2,339	2,342	**2,582**	2,761	2,942
Agriculture and Rural Development	871	984	827	**957**	974	968
Children and Youth Services	895	966	976	**1,079**	1,122	1,140
Culture and Community Spirit	227	253	239	**281**	300	304
Education	4,686	4,926	5,006	**5,223**	5,482	5,716
Employment and Immigration	760	818	840	**913**	934	945
Energy	206	281	294	**384**	384	429
Environment	121	139	230	**224**	211	210
Executive Council	22	23	24	**30**	36	37
Finance and Enterprise	786	833	852	**989**	1,048	1,074
Health and Wellness	9,779	10,845	10,833	**11,856**	12,757	13,501
Housing and Urban Affairs	115	118	185	**219**	224	212
Infrastructure	320	356	372	**406**	401	403
International and Intergovernmental Relations	26	28	28	**29**	30	31
Justice	325	371	380	**515**	530	533
Municipal Affairs	140	215	189	**228**	235	237
Seniors and Community Supports	1,547	1,730	1,670	**1,817**	1,884	1,904
Service Alberta	240	250	255	**257**	262	265
Solicitor General and Public Security	452	504	517	**576**	602	617
Sustainable Resource Development	214	283	287	**299**	314	328
Tourism, Parks and Recreation	121	145	143	**160**	173	171
Transportation	316	393	423	**486**	461	474
Treasury Board	37	45	41	**52**	55	58
Total Operating Expense	24,438	27,016	27,138	**29,769**	31,393	32,722

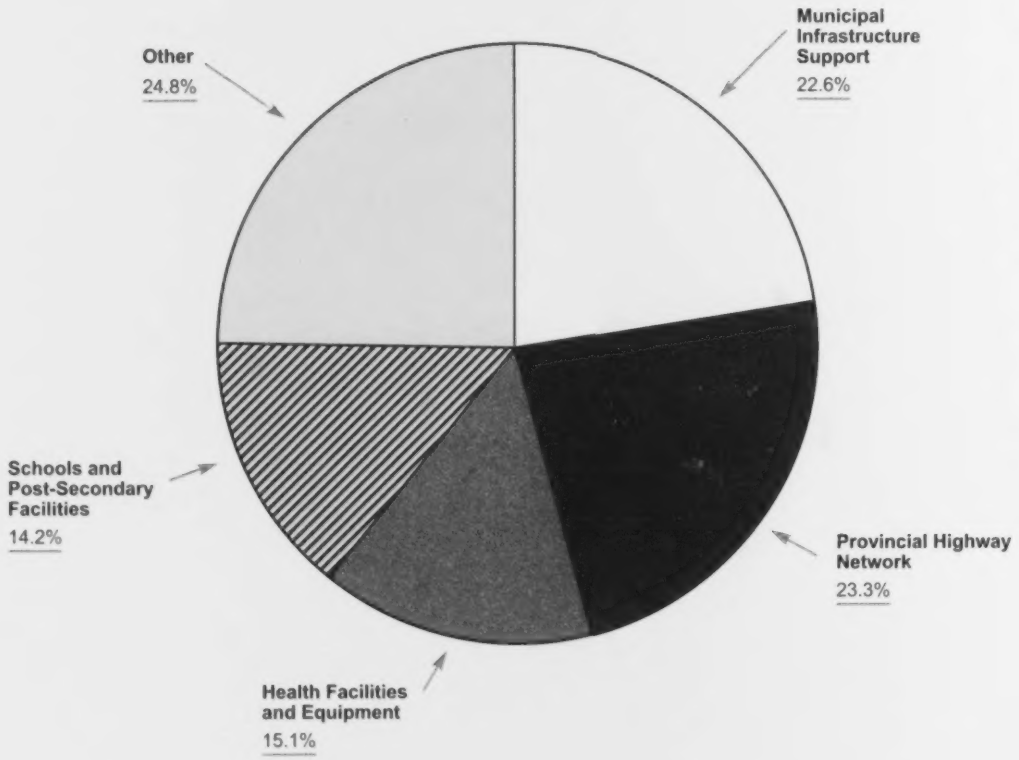
a Excludes capital grants, disaster/emergency assistance, natural gas rebates, amortization and nominal sum disposals.

Capital Plan

(millions of dollars)

	2006-07 Actual	2007-08 Budget	2007-08 Forecast	2008-09 Estimate	2009-10 Target	2010-11 Target	2008-11 Total
Municipal infrastructure support	1,076	1,416	1,487	**1,626**	1,684	1,687	4,997
Provincial highway network	924	1,429	1,484	**1,852**	1,780	1,530	5,162
Health facilities and equipment	934	1,246	1,312	**1,375**	1,151	811	3,337
Schools	579	522	619	**624**	710	326	1,660
Post-secondary facilities	401	765	906	**841**	423	216	1,480
Community facilities	121	407	375	**526**	114	65	705
Water and wastewater management	170	209	184	**260**	253	208	721
Housing	123	207	351	**409**	328	340	1,077
Government facilities, equipment and other capital	443	479	409	**769**	573	544	1,886
Capital for emergent projects	-	28	28	**130**	100	100	330
Provision for cost escalation on approved projects	-	-	-	**309**	386	108	803
Total Capital Plan	4,771	6,708	7,155	**8,721**	7,502	5,935	22,158

2008–11 Capital Plan
$22.2 billion



Grants to Local Authorities for Capital Purposes and Other Capital Support [a]

(millions of dollars)

	2006-07 Actual	2007-08 Budget	2007-08 Forecast	2008-09 Estimate	2009-10 Target	2010-11 Target
Advanced Education and Technology	395	759	900	**835**	417	210
Agriculture and Rural Development	58	30	24	**40**	38	29
Children and Youth Services	-	-	-	**15**	14	15
Culture and Community Spirit	81	215	215	**270**	44	44
Education	579	518	615	**624**	710	326
Employment and Immigration	-	-	-	**4**	-	-
Energy	-	2	2	**2**	-	-
Environment	9	1	16	**157**	112	99
Finance and Enterprise	6	15	7	**6**	6	6
Health and Wellness	887	1,172	1,238	**1,305**	1,074	715
Housing and Urban Affairs	80	177	280	**312**	278	290
Infrastructure	24	54	86	**123**	74	74
Municipal Affairs	12	279	280	**461**	550	1,350
Seniors and Community Supports	43	30	71	**96**	51	50
Solicitor General and Public Security	-	6	-	**5**	-	-
Sustainable Resource Development	-	1	-	**-**	-	-
Tourism, Parks and Recreation	-	90	92	**72**	9	-
Transportation	1,302	1,304	1,355	**1,373**	1,352	520
Treasury Board	-	4	-	**15**	19	24
Provision for cost escalation on approved projects	-	-	-	**189**	148	-
Total Support	3,476	4,657	5,181	**5,904**	4,896	3,752

[a] Included in expense. The Legislative Assembly, Aboriginal Relations, Executive Council, International and Intergovernmental Relations, Justice, and Service Alberta have no capital grants.

Capital Investment in Government-Owned Capital [a]

(millions of dollars)

	2006-07 Actual	2007-08 Budget	2007-08 Forecast	2008-09 Estimate	2009-10 Target	2010-11 Target
Legislative Assembly	-	2	2	**2**	2	2
Advanced Education and Technology	13	10	13	**10**	11	9
Agriculture and Rural Development	14	15	15	**13**	11	10
Children and Youth Services	2	10	10	**2**	2	2
Culture and Community Spirit	3	3	4	**3**	3	3
Education	1	1	2	**1**	1	1
Employment and Immigration	9	4	4	**4**	4	4
Energy	20	18	23	**23**	25	27
Environment	4	2	2	**3**	2	2
Finance and Enterprise	7	6	6	**14**	9	8
Health and Wellness	47	74	74	**70**	70	70
Infrastructure	256	344	178	**470**	301	271
Justice	19	4	4	**4**	2	3
Municipal Affairs	1	1	1	**1**	1	1
Seniors and Community Supports	2	1	1	**5**	1	1
Service Alberta	14	40	40	**42**	24	23
Solicitor General and Public Security	7	24	33	**24**	16	15
Sustainable Resource Development	38	32	20	**33**	21	11
Tourism, Parks and Recreation	28	21	55	**36**	18	18
Transportation	798	1,438	1,487	**1,936**	1,844	1,593
Treasury Board	12	1	-	**1**	1	1
Provision for cost escalation on approved projects	-	-	-	**120**	237	108
Total Capital Investment	1,295	2,051	1,974	**2,817**	2,606	2,183

[a] Not included in expense. Aboriginal Relations, Executive Council, Housing and Urban Affairs, and International and Intergovernmental Relations have no capital investment or the amount is less than $1 million.

Capital Amortization for Government-Owned Capital [a]

(millions of dollars)

	2006-07 Actual	2007-08 Budget	2007-08 Forecast	2008-09 Estimate	2009-10 Target	2010-11 Target
Legislative Assembly	-	1	1	**1**	1	1
Advanced Education and Technology	4	8	5	**8**	8	8
Agriculture and Rural Development	11	12	12	**13**	13	13
Children and Youth Services	2	3	3	**4**	4	4
Culture and Community Spirit	1	1	1	**2**	2	2
Education	2	1	1	**1**	1	1
Employment and Immigration	2	3	3	**3**	3	3
Energy	14	16	16	**17**	19	19
Environment	19	21	21	**22**	22	22
Finance and Enterprise	7	8	7	**8**	9	10
Health and Wellness	39	54	54	**69**	72	72
Housing and Urban Affairs	23	24	24	**24**	24	24
Infrastructure	53	61	52	**72**	72	72
Justice	3	8	8	**8**	8	8
Municipal Affairs	2	3	3	**2**	2	2
Seniors and Community Supports	1	1	1	**1**	1	1
Service Alberta	27	39	33	**38**	38	38
Solicitor General and Public Security	1	1	1	**2**	3	3
Sustainable Resource Development	9	12	12	**13**	13	13
Tourism, Parks and Recreation	9	12	11	**13**	13	13
Transportation	244	277	277	**315**	362	385
Treasury Board	1	1	1	**1**	1	1
Total Capital Amortization	474	567	547	**637**	691	715

[a] Includes consumption of inventories. Included in expense. Aboriginal Relations, Executive Council, and International and Intergovernmental Relations have no capital amortization or the amount is less than $1 million.

Nominal Sum Disposals [a]

(millions of dollars)

	2006-07 Actual	2007-08 Budget	2007-08 Forecast	2008-09 Estimate	2009-10 Target	2010-11 Target
Housing and Urban Affairs	21	19	19	**19**	19	19
Infrastructure	25	10	24	**38**	10	10
Sustainable Resource Development	-	4	4	**13**	13	11
Tourism, Parks and Recreation	-	1	-	**3**	1	1
Transportation	4	25	8	**25**	25	25
Total Nominal Sum Disposals	50	59	55	**98**	68	66

[a] Nominal sum disposals are assets that have been sold or disposed of for an amount substantially lower than fair market value. The fair market value less any proceeds from the disposal of the asset is treated as a grant-in-kind expense.

Capital Plan Funding Details

(millions of dollars)

	2006-07 Actual	2007-08 Budget	2007-08 Forecast	2008-09 Estimate	2009-10 Target	2010-11 Target
Capital Grants and Other Infrastructure Support[a]						
Current-year revenue	968	2,180	2,169	**963**	693	183
Capital Account	2,508	2,477	3,012	**4,791**	3,765	3,269
Alternatively financed projects	-	-	-	**150**	438	300
Total Capital Grants and Other Infrastructure Support	3,476	4,657	5,181	**5,904**	4,896	3,752
Capital Investment in Government-Owned Projects						
Current-year revenue	477	608	588	**698**	727	745
Capital Account	692	1,241	1,162	**2,074**	1,662	1,197
Alternatively financed government-owned capital	126	202	224	**45**	217	241
Total Capital Investment in Government-Owned Projects	1,295	2,051	1,974	**2,817**	2,606	2,183
Capital Plan						
Current-year revenue	1,445	2,788	2,757	**1,661**	1,420	928
Capital Account	3,200	3,718	4,174	**6,865**	5,427	4,466
Alternatively financed government-owned capital	126	202	224	**195**	655	541
Total Capital Plan	4,771	6,708	7,155	**8,721**	7,502	5,935

[a] Includes capital support for provincial capital planning, accommodation, and government facilities preservation expense.

Capital Account

(millions of dollars)

	2006-07 Actual	2007-08 Budget	2007-08 Forecast	2008-09 Estimate	2009-10 Target	2010-11 Target
Assets at start of year	4,243	6,091	6,091	**7,472**	5,973	3,994
Allocations to Capital Account[a]	5,048	3,258	5,555	**5,366**	3,448	2,661
Withdrawals						
Capital grants to local authorities	(2,508)	(2,477)	(3,012)	**(4,791)**	(3,765)	(3,269)
Government-owned capital investment	(692)	(1,241)	(1,162)	**(2,074)**	(1,662)	(1,197)
Assets at End of Year	6,091	5,631	7,472	**5,973**	3,994	2,189

[a] In 2007-08, does not include the $30 million that will be transferred in 2008-09.

Comparison of the Capital Plan and Capital Expense

(millions of dollars)

	2006-07 Actual	2007-08 Budget	2007-08 Forecast	2008-09 Estimate	2009-10 Target	2010-11 Target
Capital Plan						
Capital grants to local authorities	3,294	4,595	5,096	**5,801**	4,841	3,693
Other infrastructure support[a]	182	62	85	**103**	55	59
Capital investment in government-owned projects	1,295	2,051	1,974	**2,817**	2,606	2,183
Total Capital Plan	4,771	6,708	7,155	**8,721**	7,502	5,935
Expense for Capital Purposes[b]						
Capital grants to local authorities	3,294	4,595	5,096	**5,801**	4,841	3,693
Other infrastructure support	182	62	85	**103**	55	59
Amortization of government-owned capital	474	567	547	**637**	691	715
Nominal sum disposals	50	59	55	**98**	68	66
Total Expense for Capital Purposes	4,000	5,283	5,783	**6,639**	5,655	4,533

[a] Includes capital support for provincial capital planning, accommodation, and government facilities preservation expense.

[b] Included in program expense.

Disaster/Emergency Assistance and Natural Gas Rebates

(millions of dollars)

	2006-07 Actual	2007-08 Budget	2007-08 Forecast	2008-09 Estimate	2009-10 Target	2010-11 Target
Disaster/Emergency Assistance						
Agriculture and Rural Development	230	-	-	-	-	-
Municipal Affairs	4	-	49	-	-	-
Sustainable Resource Development	242	50	192	**50**	-	-
Natural Gas Rebates						
Infrastructure	378	477	339	**325**	325	326
Total	854	527	580	**375**	325	326

Debt Servicing Costs

(millions of dollars)

	2006-07 Actual	2007-08 Budget	2007-08 Forecast	2008-09 Estimate	2009-10 Target	2010-11 Target
Agriculture and Rural Development						
Agriculture Financial Services Corporation	45	51	46	**53**	64	72
Education						
Financing costs for Alberta Schools Alternative Procurement (P3s) [a]	-	-	-	-	-	11
Finance and Enterprise						
General government	147	154	149	**128**	94	83
Housing and Urban Affairs						
Alberta Social Housing Corporation	23	22	22	**21**	19	17
Transportation						
Financing costs for government-owned capital (P3s)	-	8	8	**18**	21	25
Total Debt Servicing Costs	215	235	225	**220**	198	208

[a] P3s are Public-Private Partnerships.

Retained Income of Funds and Agencies

(millions of dollars)

	2006-07 Actual	2007-08 Budget	2007-08 Forecast	2008-09 Estimate	2009-10 Target	2010-11 Target
Alberta Treasury Branches	274	262	174	**201**	213	231
Agriculture Financial Services Corporation	228	105	53	**106**	112	126
Endowment Funds						
Medical Research	90	35	7	**(21)**	13	18
Science and Engineering Research	58	28	8	**(8)**	9	13
Scholarship	35	15	17	**(8)**	10	16
Alberta Enterprise Corporation	-	-	-	**2**	4	4
Alberta Cancer Prevention Legacy Fund	(9)	(5)	(4)	**(7)**	(6)	(5)
Climate Change Emissions Fund	-	-	63	**(63)**	-	-
Energy Innovation Fund	(25)	(78)	(78)	**(64)**	-	-
Alberta Gaming and Liquor Commission equity	90	-	7	**10**	9	12
Other	21	3	(17)	**(4)**	(30)	(3)
Total Retained Income of Funds and Agencies	762	365	230	**144**	334	412

Cash Adjustments

(millions of dollars)

	2006-07 Actual	2007-08 Budget	2007-08 Forecast	2008-09 Estimate	2009-10 Target	2010-11 Target
Energy royalties	599	(313)	57	**(222)**	(7)	96
Alternatively financed projects for local authorities	-	-	-	**150**	438	300
Student loans	(37)	(43)	(35)	**(44)**	(42)	(39)
Other	(110)	(20)	(152)	**(59)**	(60)	(62)
Total Cash Adjustments	452	(376)	(130)	**(175)**	329	295

Capital Investment Cash Requirements

(millions of dollars)

	2006-07 Actual	2007-08 Budget	2007-08 Forecast	2008-09 Estimate	2009-10 Target	2010-11 Target
Capital Investment Cash Requirements						
Capital investment	1,295	2,051	1,974	**2,817**	2,606	2,183
Principal repayment for alternatively financed projects	-	2	2	**5**	7	12
Total Requirements	1,295	2,053	1,976	**2,822**	2,613	2,195
Sources of Cash for Investments						
Capital amortization	474	567	547	**637**	691	715
Net book value of capital asset disposals	39	43	43	**66**	43	42
Alternatively financed capital investment	126	202	224	**45**	217	241
Other adjustments	(36)	-	-	**-**	-	-
Funding from Capital Account	692	1,241	1,162	**2,074**	1,662	1,197
Total Sources	1,295	2,053	1,976	**2,822**	2,613	2,195

Sustainability Fund Details

(millions of dollars)

	2006-07 Actual	2007-08 Budget	2007-08 Forecast	2008-09 Estimate	2009-10 Target	2010-11 Target
Assets at start of year	4,083	7,653	7,653	**7,653**	7,653	7,653
Transfers to (withdrawals from) Sustainability Fund						
Non-renewable resource revenue transfer from general revenue	6,960	4,960	5,656	**6,409**	4,112	3,444
Other net transfers	4,912	-	1,967	**-**	-	-
Withdrawals for disaster/emergency/natural gas rebates	(854)	(527)	(580)	**(375)**	(325)	(326)
Net transfers (withdrawals)	11,018	4,433	7,043	**6,034**	3,787	3,118
Adjustments						
Cash adjustments	452	(376)	(130)	**(175)**	329	295
Retained income of funds and agencies	(762)	(365)	(230)	**(144)**	(334)	(412)
Fourth quarter results						
Cash transferred from previous year	1,095	-	682	**-**	-	-
Cash to be transferred following year	(682)	-	-	**-**	-	-
Assets transferred to Capital Account - current year use	(3,200)	(3,258)	(4,174)	**(5,336)**	(3,448)	(2,661)
Total adjustments	(3,097)	(3,999)	(3,852)	**(5,655)**	(3,453)	(2,778)
Assets prior to reallocation	12,004	8,087	10,844	**8,032**	7,987	7,993
Allocation to:						
Capital Account - net deposits for future-year commitments [a]	(1,848)	-	(1,411)	**-**	-	-
Alberta Enterprise Corporation	-	-	-	**(100)**	-	-
Heritage Fund - deposit [b]	(1,000)	-	(937)	**-**	-	-
Heritage Fund - inflation proofing	(283)	(284)	(466)	**(279)**	(334)	(340)
Advanced education endowment (in the Heritage Fund)	(250)	-	-	**-**	-	-
Scholarship Fund	(20)	-	(227)	**-**	-	-
Medical Research Endowment Fund	(150)	(150)	(150)		-	-
Science and Engineering Endowment Fund	(100)	-	-	**-**	-	-
Energy Innovation Fund	(200)	-	-	**-**	-	-
Alberta Cancer Prevention Legacy Fund	(500)	-	-	**-**	-	-
Assets at End of Year	7,653	7,653	7,653	**7,653**	7,653	7,653
Assets at end of year above $2.5 billion target	5,153	5,153	5,153	**5,153**	5,153	5,153

a 2007-08 is based on preliminary actuals. Only $1,381 million was transferred by March 31, 2008. The remaining $30 million will be transferred in 2008-09.

b 2007-08 is based on preliminary actuals. Only $918 million was transferred by March 31, 2008. The remaining $19 million will be transferred in 2008-09, through a Supplementary Estimate.

Balance Sheet Details

(millions of dollars)

	At March 31				
	2007 Actual	2008 Forecast	2009 Estimate	2010 Target	2011 Target
Financial Assets					
Heritage Fund equity	15,028	16,412	**16,710**	17,044	17,384
Endowment funds					
Alberta Heritage Foundation for Medical Research	1,370	1,527	**1,506**	1,519	1,538
Alberta Heritage Science and Engineering Research	836	843	**835**	845	858
Alberta Heritage Scholarship	576	820	**812**	822	839
Alberta Cancer Prevention Legacy Fund	491	487	**480**	474	469
Energy Innovation Fund	175	97	**33**	33	33
Climate Change Emissions Management Fund	-	63	**-**	-	-
Alberta Enterprise Corporation	-	-	**102**	106	110
Sustainability Fund	7,653	7,653	**7,653**	7,653	7,653
Capital Account	6,091	7,472	**5,973**	3,994	2,189
Debt Retirement Account	2,035	1,794	**1,170**	1,102	838
Self-supporting lending organizations					
Alberta Capital Finance Authority	5,098	5,874	**6,506**	6,999	7,568
Agriculture Financial Services Corporation	2,173	2,011	**2,270**	2,449	2,614
Other financial assets					
Equity in commercial enterprises	2,091	2,280	**2,498**	2,729	2,981
Contingency Allowance [a]	-	-	**325**	665	1,015
Student loans	188	214	**233**	256	280
Other cash, marketable securities and accounts receivable	7,209	6,644	**6,928**	7,115	7,136
Total Financial Assets	51,014	54,191	**54,034**	53,805	53,505
Liabilities					
Accumulated debt					
General Revenue Fund	2,556	2,446	**1,981**	2,013	1,824
Alberta Social Housing Corporation	321	300	**278**	254	229
School construction loans	315	256	**204**	160	123
Less General Revenue Fund holdings of provincial corporations' debt	(1,162)	(1,218)	**(1,303)**	(1,335)	(1,348)
Accumulated debt	2,030	1,784	**1,160**	1,092	828
Pension obligations	5,593	8,058	**8,245**	8,466	8,695
Self-supporting lending organizations					
Alberta Capital Finance Authority	5,098	5,874	**6,506**	6,999	7,568
Agriculture Financial Services Corporation	1,563	1,326	**1,491**	1,561	1,601
Liabilities for alternatively financed capital projects	274	474	**664**	1,312	1,841
Other liabilities					
Accounts and interest payable	5,794	5,825	**5,844**	5,978	6,028
Guarantees, indemnities and remissions	-	10	**15**	15	15
Other accrued liabilities	208	204	**206**	210	213
Total Liabilities	20,560	23,555	**24,131**	25,633	26,789
Net Financial Assets	30,454	30,636	**29,903**	28,172	26,716
Capital assets	12,429	13,813	**15,927**	17,799	19,225
Net Assets	42,883	44,449	**45,830**	45,971	45,941
Adjustment for pension obligations	5,593	8,058	**8,245**	8,466	8,695
Net Assets for Fiscal Policy Purposes [b]	48,476	52,507	**54,075**	54,437	54,636

[a] Cumulative total of Contingency Allowance available for in-year initiatives but not yet committed.

[b] Under the *Fiscal Responsibility Act*. Excludes pension obligations.

Accumulated Debt

(millions of dollars)

	2006-07 Actual	2007-08 Forecast	2008-09 Estimate	2009-10 Target	2010-11 Target
Accumulated debt at start of year	2,195	2,030	**1,784**	1,160	1,092
Repayment of debt maturities	(165)	(246)	**(624)**	(68)	(264)
Accumulated debt at end of year	2,030	1,784	**1,160**	1,092	828
Less Debt Retirement Account	2,035	1,794	**1,170**	1,102	838
Accumulated Debt less Debt Retirement Account [a]	(5)	(10)	**(10)**	(10)	(10)

a The assets in the Debt Retirement Account exceed unmatured accumulated debt by $10 million.

Capital Assets

(millions of dollars)

	2006-07 Actual	2007-08 Forecast	2008-09 Target	2009-10 Target	2010-11 Target
Net book value at start of year	11,647	12,429	**13,813**	15,927	17,799
Capital investment	1,295	1,974	**2,817**	2,606	2,183
Capital amortization	(474)	(547)	**(637)**	(691)	(715)
Net book value of capital asset disposals	(39)	(43)	**(66)**	(43)	(42)
Net Book Value of Capital Assets at End of Year	12,429	13,813	**15,927**	17,799	19,225

Pension Obligations

(millions of dollars)

	At March 31					
	2007 Actual	2008 Budget	2008 Forecast	2009 Estimate	2010 Target	2011 Target
Teachers' Pension Plans - Post-1992 Unfunded Liability	127	142	141	**152**	161	166
Teachers' Pension Plans - Pre-1992 Unfunded Liability [a]	4,440	4,564	6,784	**7,007**	7,271	7,545
Universities Academic Pension Plan	196	201	183	**192**	203	215
Public Service Management (Closed) Pension Plan [b]	722	696	699	**671**	642	609
Members of the Legislative Assembly Pension Plan [b]	50	47	48	**47**	45	43
Special Forces Pension Plan	58	59	84	**87**	90	94
Management Employees Pension Plan	-	-	60	**49**	37	23
Public Service Pension Plan	-	1	59	**40**	17	-
Total Pension Obligations	5,593	5,710	8,058	**8,245**	8,466	8,695

a The Government assumed Teachers' pre-1992 unfunded pension liability estimated at $2.2 billion in the 2007-08 fiscal year.

b Membership for the plans are closed and pensionable service no longer being accrued.

General Revenue Fund Term Debt Maturities[a]

(millions of dollars)

	Par Amount (Cdn$ millions)	Coupon Rate (%)	Maturity Date
2008-09 Term Debt Maturities			
1998 Canadian medium-term note	50	5.80	June 5, 2008
1998 Canadian debenture	500	5.00	December 16, 2008
Total	**550**		
2010-11 Term Debt Maturities			
1991 Canada Pension Plan debenture	**202**	10.45	March 1, 2011
2011-13 Term Debt Maturities			
1992 Canada Pension Plan debenture	281	9.92	March 2, 2012
1993 Canada Pension Plan debenture	196	9.37	March 1, 2013
Total	**477**		

[a] Does not include principal repayment on General Revenue Fund notes on-lent to provincial corporations (Alberta Financial Services Corporation and Alberta Social Housing Corporation). There is no more direct General Revenue Fund debt left after March 1, 2013. Other components of accumulated debt include:

- Alberta Social Housing Corporation debt of $300 million, $173 million of which remains to be repaid from 2013-2030.
- School construction loans of $256 million, $66 million of which remains to be repaid from 2014-2020.

The Debt Retirement Account has assets to repay all these amounts.

Net Financial Requirements[a]

(millions of dollars)

	2006-07 Actual	2007-08 Budget	2007-08 Forecast	2008-09 Estimate	2009-10 Target	2010-11 Target
Accumulated Debt Financing Requirements						
General Revenue Fund term debt maturities	-	166	166	**550**	-	202
School construction loans repayments	65	59	59	**52**	44	37
Alberta Social Housing Corporation debt repayment	100	21	21	**22**	24	25
Total	165	246	246	**624**	68	264
Agriculture Financial Services Corporation's term borrowing	120	300	195	**285**	160	285
Gross financing requirements	285	546	441	**909**	228	549
Less cash applied to accumulated debt repayment	165	246	246	**624**	68	264
Net Term Debt Financing Requirements	120	300	195	**285**	160	285

[a] Does not include alternative financing for government-owned capital projects or the financing requirements of the Alberta Capital Finance Authority and Alberta Treasury Branches.

Loans and Advances [a]

(millions of dollars)

	At March 31	
	2007 Actual	2008 Forecast
Loans and Advances		
Agriculture Financial Services Act	1,040	1,155
Student Financial Assistance Act	260	292
Alberta Heritage Savings Trust Fund Act		
Ridley Grain Ltd.	186	186
Vencap Acquisition Corporation	2	2
Farm Credit Stability Act	4	2
Alberta Housing Act	13	9
Financial Administration Act		
Accountable advances	26	11
Board of Governors, University of Alberta	1	-
	1,532	1,657
Allowance for doubtful loans, advances, implemented guarantees and indemnities		
Ridley Grain Ltd.	(90)	(90)
Student Loan Relief Completion Payments	(46)	(46)
Other	(57)	(65)
	(193)	(201)
Total Loans and Advances	1,339	1,456

[a] When a loan is considered to be impaired, accrued interest is no longer included in income. This does not alter the borrower's obligation to pay all accrued interest.

Guarantees

(millions of dollars)

	At March 31	
	2007 Actual	2008 Forecast
Guarantees		
Student Financial Assistance Act	16	12
Alberta Housing Act	18	16
Feeder Associations	44	49
Agriculture Financial Services Act	26	23
Farm Credit Stability Act	3	1
Securities Act	2	2
University of Calgary	1	1
	110	104
Provision for loan defaults under guarantee	(3)	(3)
Total Guarantees	107	101

2008–09 Allocation of Lottery Fund Revenue

(thousands of dollars)

Lottery Fund Revenue [a]	1,522,418
Aboriginal Relations	
First Nations Development Fund	78,000
First Nations Relations	200
Advanced Education and Technology	
Research Capacity	28,900
Capital Expansion and Upgrading	16,000
Community Education	15,600
Energy Research	15,200
Life Sciences Research	11,485
Information and Communications Technology Research	11,306
Achievement Scholarships	3,100
Agriculture and Rural Development	
Agricultural Service Boards	10,600
Agricultural Societies	8,670
Agriculture Initiatives	2,950
Children and Youth Services	
Family and Community Support Services	45,000
Fetal Alcohol Spectrum Disorder Initiatives	12,000
Prevention of Family Violence and Bullying	6,500
Culture and Community Spirit	
Major Community Facilities Program	140,000
Horse Racing and Breeding Renewal Program	48,000
Support for Telus World of Science	40,000
Support for National Portrait Gallery	40,000
Community Facility Enhancement Program	38,500
Alberta Foundation for the Arts	34,984
Community Initiatives Program	29,171
Major Fairs and Exhibitions	23,360
Community Spirit Donation Program	20,000
Film Development and Film Commission	19,690
Bingo Associations	13,000
Alberta Historical Resources Foundation	9,507
Wild Rose Foundation	8,516
Human Rights, Citizenship and Multiculturalism Education Fund	2,025
Cultural Initiatives	750
Other Initiatives	7,964
Education	
Public and Separate Schools Support - Operational Funding	60,800
School Facilities Infrastructure	60,300
Basic Education Program Initiative - High Speed Network	8,000
Employment and Immigration	
Summer Temporary Employment Program	7,413
Settlement and Integration Services and Enhanced Language Training	4,574
Environment	
Educational Awareness	500
Health and Wellness	
Alberta Alcohol and Drug Abuse Commission	90,495
Human Tissue and Blood Services	90,000
Health Facilities Infrastructure	50,000
Community-based Health Services	30,000
Municipal Affairs	
Unconditional Municipal Grants	14,000
Municipal Sponsorship	12,000
Solicitor General and Public Security	
Gaming Research	1,600
Tourism, Parks and Recreation	
Support for Capital Region River Valley Park	50,000
Alberta Sport, Recreation, Parks and Wildlife Foundation	24,970
Recreation and Sports Facilities Grants	20,000
Hosting Major Athletic Events	500
Transportation	
Municipal Water Wastewater Program/ Water for Life	70,000
Rural Transportation Partnerships	40,000
Provincial Highway Preservation	30,000
Alberta Cities Transportation Partnerships	30,000
Streets Improvement Program	25,000
Finance and Enterprise	
Transfer to the Contingency Allowance/ Sustainability Fund	61,288
Total Lottery Fund Allocation	**1,522,418**

[a] Includes $6 million of interest income.

Full-Time Equivalent Employment

	2007-08 Budget[a]	2008-09 Estimate	Change	Main Reasons for Change
Legislative Assembly	446	**459**	13	Election officers/audit staff
Aboriginal Relations	76	**90**	14	New Minister's office/Deputy Minister's office
Advanced Education and Technology	1,168	**1,201**	33	Apprenticeship programs/Commercialization
Agriculture and Rural Development	1,736	**1,735**	(1)	Legal services
Children and Youth Services	2,769	**2,917**	148	Enhancement of child intervention/child care/foster care
Culture and Community Spirit	538	**554**	16	Various programs, including Community Spirit
Education	701	**701**	-	
Employment and Immigration	1,964	**2,019**	55	Immigration and employment programs
Energy	1,578	**1,819**	241	ERCB, AUC, royalty framework, Energy Efficiency Act
Environment	843	**890**	47	Groundwater mapping/climate change/cumulative effects
Executive Council	175	**180**	5	Communications strategy/Economic Strategy Council
Finance and Enterprise	1,101	**1,173**	72	Alberta Investment Management Corporation
Health and Wellness	1,554	**1,583**	29	Expansion of AADAC treatment programs
Housing and Urban Affairs	115	**144**	29	Affordable housing/Homelessness Secretariat
Infrastructure	821	**838**	17	Program services
International and Intergovernmental Relations	175	**181**	6	Corporate services
Justice	2,666	**2,922**	256	Courts/prosecutors/crime reduction/safe communities
Municipal Affairs	411	**415**	4	Emergency Management Agency
Seniors and Community Supports	1,999	**1,999**	-	
Service Alberta	1,677	**1,775**	98	Service level increases/contract conversions
Solicitor General and Public Security	2,927	**3,060**	133	Policing/correctional services/sheriffs branch
Sustainable Resource Development	2,001	**2,001**	-	
Tourism, Parks and Recreation	567	**586**	19	Travel Alberta/other tourism programs
Transportation	928	**964**	36	Program services
Treasury Board	288	**335**	47	Corporate Human Resources/Oil Sands Secretariat
Total Full-Time Equivalent Employment	29,224	**30,541**	1,317	

a The *2007-08 Budget* has been increased by 20 FTEs to be on a comparable basis with the 2008-09 Estimate.

Premiums, Fees and Licences Changes

	2007-08	2008-09
Culture and Community Spirit		
Jubilee Auditoria		
Commercial Fees		
Single performance	$5,500 - $12,000	$6,000 - $13,000
Two performances (same day)	$7,000 - $19,000	$7,500 - $20,750
Commercial Fees - Statutory Holidays		
Single performance	$5,500 - $12,000	$6,500 - $14,000
Two performances (same day)	$7,000 - $19,000	$8,250 - $22,000
House strip/restore (4 hours)	$900	$975
Weekly rate	$60,000	$65,000
Provincial Archives		
Contract research services ($ per hour)	$30	$40
Homestead search with legal land description ($ per hour)	$20	$25
Transcripts of vital statistics documents and church records ($ per transcript)	$5	$10
Certified copy of any Provincial Archives document ($ per copy)	$10	$15
Fees for small print run by self-publisher of local or family history book ($ per run)	$0	$10
Commercial use fee (images used for advertisement and resale)	$0	$50
JUSTICE		
Maintenance Enforcement		
Child support recalculation service fee ($ per party)	$0	$75

Major Provincial Tax Rates, 2008

		AB	BC	SK	MB	ON	QC	NB	NS	PE	NL
Personal Income Tax											
Statutory rate range											
- lowest rate	(%)	10.00	5.24[a]	11.00	10.90	6.05	16.00[b]	10.12	8.79	9.80	8.70
- highest rate	(%)	10.00	14.70	15.00	17.40	11.16	24.00[b]	17.95	17.50	16.70	16.50
Surtax	(%)	-	-	-	-	20.0/36.0	-	-	10.0	10.0	-
Personal amount	($)	16,161	9,189	8,945	8,034	8,681	10,215	8,395	7,731	7,708	7,566
Spousal amount	($)	16,161	7,868	8,945	8,034	7,371	10,215	7,129	6,565	6,546	6,183
Corporate Income Tax											
General rate	(%)	10.0	11.0[a]	12.0[c]	13.0[d]	14.0	11.4	13.0	16.0	16.0	14.0
M&P rate	(%)	10.0	11.0[a]	10/12[e]	13.0	12.0	11.4	13.0	16.0	16.0	5.0
Small business											
- rate	(%)	3.0	3.5[a]	4.5[c]	2.0	5.5	8.0	5.0	5.0	3.2	5.0
- threshold	($000)	460	400	500[c]	400	500	400	400	400	400	400
Capital Tax											
General	(max.%)	-	-	-[c]	0.4	0.225	0.36[g]	0.10	0.20[f]	-	-
Financial institutions	(max.%)	-	3.0	3.25	3.0	0.675	0.97[g]	3.0	4.0	5.0	4.0
Retail Sales Tax	(%)	-	7.0	5.0	7.0	8.0	7.5[h]	8.0[i]	8.0[i]	10.0[h]	8.0[i]
Gasoline Tax	(cents/litre)	9.0	16.9[j]	15.0[i]	11.5[i]	14.7	15.2[i,j]	10.7[i]	15.5[i]	15.8[k]	16.5[i]
Tobacco Tax	(dollars/carton)	40.00	35.80	36.60[i]	35.00[i]	24.70	20.60	23.50[i]	33.04[i]	34.90	36.00[i]
Payroll Tax	(max.%)	-	-	-	2.15	1.95	4.26[l]	-	-	-	2.00

Rates for other provinces known as of April 3, 2008.

a British Columbia's lowest personal income tax rate will decrease from 5.35% to 5.24% on July 1, 2008. The general corporate income tax, M&P and small business rates will also decrease from 12%, 12% and 4.5% respectively on July 1, 2008.

b Quebec residents receive an abatement of 16.5% of basic federal tax in lieu of federal cash transfers to Quebec for several social programs.

c Saskatchewan's general corporate rate will be reduced to 12% from 13% and the small business threshold increased to $500,000 from $450,000 effective July 1, 2008. The general capital tax will be eliminated on July 1, 2008. The current rate is 0.15%.

d Manitoba's corporate tax rate will fall to 13% from 14% on July 1, 2008.

e The general corporate income tax rate is reduced by up to 2 points based on the share of a corporation's national manufacturing and processing income allocated to Saskatchewan.

f Nova Scotia's general capital tax rate will fall to 0.2% from 0.225% on July 1, 2008.

g Quebec's financial institutions capital tax includes a base rate of 0.72% and a compensatory tax of 0.25%.

h These provinces apply their retail sales tax on the retail price of the good inclusive of the Goods and Services Tax.

i These provinces apply their retail sales tax on the retail price of the good inclusive of the particular excise tax.

j The British Columbia rate includes a 2.4¢/litre carbon tax on gasoline, which will begin on July 1, 2008. An additional 6¢/litre is imposed in the greater Vancouver area and 3.5¢/litre in Victoria. An additional 1.5¢/litre is imposed in Montreal.

k This rate is based on a 7.1¢/litre base rate and 10.7% of the average wholesale price and is calculated on a monthly basis. The total tax rate is capped at 15.8¢/litre.

l Quebec levies an additional tax of up to 2% on the wages of financial institutions that is not included in this rate.

Key Energy and Economic Assumptions

Fiscal Year Assumptions	2005-06 Actual	2006-07 Actual	2007-08	2008-09	2009-10	2010-11
Prices						
Crude Oil Price						
WTI (US$/bbl)	59.97	64.89	82.25[a]	78.00	74.00	72.00
Alberta Wellhead (Cdn$/bbl)[b]	59.50	63.34	72.40	69.97	68.24	66.34
Bitumen @ Edmonton (Cdn$/bbl)[c]	33.52	39.86	39.97	38.90	37.97	36.79
Natural Gas Price						
Alberta Reference Price (Cdn$/GJ)	8.29	5.94	5.88	6.75	6.40	6.25
Production						
Conventional crude oil (000's barrels/day)	562	534	520	506	490	477
Non-conventional crude oil (000's barrels/day)	1,019	1,201	1,354	1,671	2,002	2,300
Natural gas (billions of cubic feet)	5,272	5,271	5,110	4,915	4,794	4,713
Interest rates						
3-month Canada treasury bills (%)	2.98	4.14	3.84	2.50	3.75	4.00
10-year Canada bonds (%)	4.04	4.20	4.18	3.50	4.45	4.75
Exchange Rate (US¢/Cdn$)	83.9	87.9	97.1	98.8	96.0	96.0

Calendar Year Assumptions	2006 Actual	2007 Actual	2008	2009	2010	2011
Gross Domestic Product						
Nominal (millions of dollars)	240,026	259,590[d]	282,889	293,923	309,031	324,538
% change	8.0	8.2	9.0	3.9	5.1	5.0
Real (millions of 2002 dollars)	183,372	188,857[d]	194,302	200,086	206,311	214,049
% change	6.6	3.0	2.9	3.0	3.1	3.8
Other Indicators						
Employment (thousands)	1,871	1,959	2,014	2,054	2,086	2,120
% change	4.8	4.7	2.8	2.0	1.5	1.6
Unemployment rate (%)	3.4	3.5	3.6	3.8	4.1	4.2
Average weekly earnings (% change)	4.9	4.7	4.7	4.3	3.8	3.8
Personal income (% change)	12.0	10.7[d]	8.2	6.6	5.6	6.0
Corporate profits (% change)	-0.5	-3.6[d]	10.5	-6.1	-2.9	-0.6
Housing starts (number of units)	48,962	48,336	43,800	38,300	34,400	32,500
Alberta Consumer Price Index (% change)	3.9	5.0	3.4	2.5	2.2	2.2
Population (thousands)	3,371	3,474	3,542	3,611	3,678	3,742
% change	2.7	3.1	2.0	1.9	1.9	1.8

a The 2007-08 resource revenue forecast was prepared in early March and was based on a forecast oil price of US$80.72 per barrel.

b Refers to the average price per barrel of Alberta light, medium and heavy oil.

c The bitumen price is an estimate prepared by Alberta Energy of the price at Edmonton and is not an actual market price.

d Alberta Finance and Enterprise estimates.

Sensitivities to Fiscal Year Assumptions, 2008–09[a]

	Change	Net Impact ($ millions)	
		2008-09	2009-10
Oil Price (WTI US$/bbl)	-$1.00	-130	-211
Natural Gas Price (Cdn$/GJ)	-10 cents	-114	-166
Exchange Rate (US¢/Cdn$)	+1 cent	-210	-292
Interest Rates	1%	-196	-196
Equity Market Value	-1%	-32	-32
Personal Income	-1%	-90	-99
Corporate Taxable Income	-1%	-78	-77

a Sensitivities are based on current assumptions of prices and rates and show the effect for a full 12 month period. Sensitivities can vary significantly at different price and rate levels. The energy price sensitivities do not include the potential impact of price changes on the revenue from land sales. The interest rate sensitivity has two components, an increase in cash interest income and a capital loss. When interest rates rise, bond prices go down, causing a capital loss.

Balance Sheet Summary

(millions of dollars)

	At March 31				
	2007 Actual	2008 Forecast	2009 Estimate	2010 Target	2011 Target
Financial Assets					
Heritage Fund equity	15,028	16,412	**16,710**	17,044	17,384
Self-supporting lending organizations	7,271	7,885	**8,776**	9,448	10,182
Sustainability Fund	7,653	7,653	**7,653**	7,653	7,653
Endowment funds [a]	2,782	3,190	**3,153**	3,186	3,235
Capital Account	6,091	7,472	**5,973**	3,994	2,189
Debt Retirement Account	2,035	1,794	**1,170**	1,102	838
Other financial assets	10,154	9,785	**10,599**	11,378	12,024
Total Financial Assets	51,014	54,191	**54,034**	53,805	53,505
Liabilities					
Accumulated debt	2,030	1,784	**1,160**	1,092	828
Pension obligations	5,593	8,058	**8,245**	8,466	8,695
Self-supporting lending organizations	6,661	7,200	**7,997**	8,560	9,169
Liabilities for alternatively financed capital projects	274	474	**664**	1,312	1,841
Other liabilities	6,002	6,039	**6,065**	6,203	6,256
Total Liabilities	20,560	23,555	**24,131**	25,633	26,789
Net Financial Assets	30,454	30,636	**29,903**	28,172	26,716
Capital Assets	12,429	13,813	**15,927**	17,799	19,225
Net Assets	42,883	44,449	**45,830**	45,971	45,941
Adjustment for pension obligations	5,593	8,058	**8,245**	8,466	8,695
Net Assets for Fiscal Policy Purposes [b]	48,476	52,507	**54,075**	54,437	54,636

a Includes the Medical Research Endowment, Science and Engineering Research Endowment and Scholarship Fund. The advanced education endowment is part of the Heritage Fund and has allocated assets of $1 billion as of March 31, 2008.

b Under the *Fiscal Responsibility Act*. Excludes pension obligations.

Historical Fiscal Summary, 1989–90 to 2010–11 [a]

(millions of dollars)

		A 1989-90	B 1990-91	C 1991-92	D 1992-93	E 1993-94	F 1994-95	G 1995-96	H 1996-97	I 1997-98	J 1998-99	K 1999-00	L 2000-01	M 2001-02	N 2002-03	O 2003-04	P 2004-05	Q 2005-06	R 2006-07	S 2007-08 Forecast	T 2008-09 Estimate	U 2009-10 Target	V 2010-11 Target
INCOME STATEMENT																							
	Revenue																						
1	Personal income tax [b]	2,536	2,796	3,057	2,794	2,877	3,063	3,177	3,445	3,877	4,601	5,100	3,943	4,183	4,834	4,613	4,649	4,677	7,622	8,353	8,614	9,201	9,786
2	Corporate income tax	700	803	731	637	854	1,073	1,332	1,407	1,849	1,659	1,255	2,023	2,229	2,019	1,696	2,364	2,917	3,606	4,383	3,774	3,424	3,405
3	Education property tax	824	915	1,027	1,115	1,168	1,196	1,205	1,169	1,212	1,118	1,128	1,151	1,094	1,113	1,178	1,247	1,283	1,330	1,378	1,450	1,508	1,568
4	Other tax revenue	683	878	1,029	1,055	1,053	1,126	1,112	1,157	1,218	1,178	1,241	1,386	1,469	1,633	1,838	1,918	1,990	2,138	2,194	2,320	2,367	2,409
5	Resource revenue	2,240	2,688	2,022	2,183	2,817	3,378	2,786	4,034	3,778	2,368	4,650	10,586	6,227	7,130	7,676	9,744	14,347	12,260	10,956	11,709	10,712	10,044
6	Investment income	1,891	2,125	2,155	1,711	1,837	1,567	1,724	1,616	1,747	1,610	1,906	1,353	788	(462)	1,838	1,812	2,348	3,013	2,440	1,932	2,471	2,544
7	Other own-source revenue	2,022	1,615	1,566	2,319	2,710	2,832	2,431	2,473	2,890	2,950	3,183	3,272	3,672	4,321	4,122	4,375	4,588	4,971	4,987	4,977	4,344	4,392
8	Total own-source revenue	10,896	11,820	11,587	11,814	13,316	14,235	13,767	15,301	16,571	15,484	18,463	23,714	19,662	20,588	22,961	26,109	32,150	34,940	34,691	34,776	34,027	34,148
9	Federal transfers	1,943	2,365	2,150	2,457	2,090	1,929	1,748	1,351	1,183	1,335	1,640	1,813	2,264	2,074	2,926	3,219	3,392	3,077	3,066	3,795	3,906	3,840
10	Total Revenue	12,839	14,185	13,737	14,271	15,406	16,164	15,515	16,652	17,754	16,819	20,103	25,527	21,926	22,662	25,887	29,328	35,542	38,017	37,757	38,571	37,933	37,988
	Expense by Function [c]																						
11	Health	3,631	3,895	4,129	4,352	4,194	3,928	3,773	4,006	4,401	4,660	5,341	5,946	6,846	6,917	7,646	9,059	9,709	10,880	12,322	13,455	14,131	14,519
12	Basic / advanced education	3,379	3,532	3,676	3,904	4,036	3,756	3,713	3,738	4,081	4,241	4,735	5,040	6,099	5,461	5,854	6,370	6,852	7,817	8,877	9,313	9,443	9,228
13	Social services	1,502	1,567	1,746	1,889	1,721	1,495	1,456	1,511	1,564	1,560	1,668	1,790	1,942	2,108	2,272	2,438	2,710	2,879	3,134	3,418	3,542	3,586
14	Other program expense [d]	5,328	5,741	5,501	6,031	5,172	4,301	3,739	3,446	3,727	3,885	4,612	5,200	5,184	5,567	5,708	5,984	7,472	7,716	9,168	10,597	10,257	10,248
15	Total program expense	13,840	14,735	15,052	16,176	15,123	13,480	12,681	12,701	13,773	14,346	16,356	17,976	20,071	20,053	21,480	23,851	26,743	29,292	33,501	36,783	37,373	37,581
16	Debt servicing costs	1,115	1,282	1,314	1,419	1,654	1,746	1,683	1,462	1,322	1,379	956	980	774	476	271	302	248	215	225	220	198	208
17	Total Expense	14,955	16,017	16,366	17,595	16,777	15,226	14,364	14,163	15,095	15,725	17,312	18,956	20,845	20,529	21,751	24,153	26,991	29,507	33,726	37,003	37,571	37,789
18	**Surplus (Deficit)**	**(2,116)**	**(1,832)**	**(2,629)**	**(3,324)**	**(1,371)**	**938**	**1,151**	**2,489**	**2,659**	**1,094**	**2,791**	**6,571**	**1,081**	**2,133**	**4,136**	**5,175**	**8,551**	**8,510**	**4,031**	**1,568**	**362**	**199**
BALANCE SHEET																							
19	Net Financial Assets (Debt) [e]	2,296	464	(2,165)	(7,054)	(8,313)	(7,355)	(6,255)	(3,728)	(1,089)	(63)	2,654	9,042	9,814	11,696	15,607	20,395	28,318	36,047	38,694	38,148	36,638	35,411
20	Capital Assets [f]	N/A	N/A	N/A	N/A	8,220	7,669	7,411	7,292	7,215	7,218	7,259	8,002	10,141	10,309	10,534	10,921	11,552	12,429	13,813	15,927	17,799	19,225
21	**Net Assets (Debt)** [e]	N/A	N/A	N/A	N/A	(93)	314	1,156	3,564	6,126	7,155	9,913	17,044	19,955	22,005	26,141	31,316	39,870	48,476	52,507	54,075	54,437	54,636
22	Pension obligations	8,243	6,156	5,774	4,770	5,066	5,352	5,352	4,981	4,890	4,813	4,728	4,742	4,771	4,927	5,059	5,235	5,435	5,593	8,058	8,245	8,466	8,695
23	**Accumulated Debt** [g]	15,527	16,647	17,406	20,305	22,701	21,451	20,531	17,733	14,976	14,106	12,020	8,195	5,261	4,736	3,730	—	—	—	—	—	—	—
24	Sustainability Fund assets														—	2,500	3,498	4,083	7,653	7,653	7,653	7,653	7,653
25	Capital Account assets														910	1,180	674	4,243	6,091	7,472	5,973	3,994	2,189

a Numbers have been restated on 2008-09 basis where possible. Numbers from 1992-93 are essentially comparable to the 2008-09 presentation with exception of the treatment of disposal of capital assets and smaller changes to the accounting treatment of some capital spending. Prior to 1992-93, spending was on expenditure basis, using actual capital spending rather than capital amortization costs.

b The costs of the Alberta energy tax refund ($345 million in 2000-01 and $320 million in 2001-02) and the 2005 Resource Rebate ($1.323 billion in 2005-06) were netted against personal income tax revenue.

c Excludes change in pension obligations. Beginning in 1996-97, valuation adjustments have been allocated by function. In prior years, all valuation adjustments were included in other program expense.

d Actual expenses have been restated for 2007-08 forward, to reflect a change in the accounting treatment of spending on provincial highway rehabilitation. This change has decreased expense in 2007-08 by $72 million and increased capital investment by an equivalent amount.

e Excludes pension obligations. Net debt was increased by $1,474 million in 1992-93 primarily for a provision for school construction debt, reduced by $125 million in 1993-94 to record personal tax and established program financing entitlements on an accrual basis, and increased by $32 million in 1995-96 to report some other revenues on accrual basis.

f Capital assets information not available prior to 1992-93. In 1994-95, includes the disposal of $449 million in capital assets (primarily the transfer of secondary highways to municipalities). 2000-01 and 2001-02 include transfers of $587 million and $1.8 billion of secondary highways from municipalities to the province.

g Net of cash set aside for future debt repayments. In 2001-02, the amount of $5,261 million includes commitment of $414 million to debt retirement based on a higher-than-expected year-end surplus. This amount was transferred in 2002-03 from other assets.

2008–11 CAPITAL PLAN

2008–11 CAPITAL PLAN

Budget 2008
THE RIGHT PLAN FOR
TODAY & TOMORROW

2008–11 Capital Plan
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2008–11 Capital Plan

The 2008-11 Capital Plan will support $22.2 billion in capital spending, guided by Alberta's *20-Year Strategic Capital Plan*. In fact, this Capital Plan delivers on the highest priority short-term commitments identified in the 20-year plan. The investments being made in infrastructure will ensure our high quality of life and economic growth while adhering to strong environmental ethics.

The 2008-11 Capital Plan will support $22.2 billion in capital spending.

The various components making up our Capital Plan directly contribute to government's five priorities. The following are examples of how this Capital Plan supports these priorities:

ENSURE ALBERTA'S ENERGY RESOURCES ARE DEVELOPED IN AN ENVIRONMENTALLY SUSTAINABLE WAY, through:

- Increased spending on clean air and climate change initiatives with the new Canada Eco-Trust for Clean Air and Climate Change and the Climate Change and Emissions Management Fund;
- Funding support for development in the Regional Municipality of Wood Buffalo in response to recommendations in *Investing in our Future: Responding to the Rapid Growth of Oil Sands Development* (the Radke Report), to ensure that the necessary infrastructure is in place;
- Adoption of the Leadership in Energy and Environmental Design silver standard for certification in designing new buildings and the Go Green certification program for facility operations;
- Funding for regional water systems where a regional concept is more cost-effective and environmentally sound than a stand-alone system, and
- Support for other water projects such as water/wastewater monitoring systems, irrigation rehabilitation, dams, canals and erosion-control infrastructure.

Funding for clean air and climate change initiatives is included in this plan.

INCREASE ACCESS TO QUALITY HEALTH CARE AND IMPROVE THE EFFICIENCY AND EFFECTIVENESS OF HEALTH CARE SERVICE DELIVERY, through:

- Constructing the South Calgary Health Campus and Edmonton Clinic;
- Completing major expansion projects at the Foothills Medical Centre, Rockyview General Hospital, and Peter Lougheed Centre in Calgary;
- Completing the new Robbins Pavilion and a new orthopedic surgical centre at the Royal Alexandra Hospital in Edmonton;
- Supporting the development of the Peace Country Regional Health Centre;
- Phase 1 expansion and redevelopment of the Medicine Hat Regional Hospital;

This Capital Plan continues the commitment to construct state-of-the-art facilities such as the South Calgary Health Campus and Edmonton Clinic.

- Adding more long-term care spaces throughout the province, including recent funding approved to develop 600 new beds and 200 replacement beds in Edmonton, Calgary, Didsbury, Lacombe, Strathmore, Stony Plain and Lloydminster, and
- Development of cancer radiation therapy capacity at centres in Lethbridge, Red Deer, and Grande Prairie.

ENHANCE VALUE-ADDED ACTIVITY, INCREASE INNOVATION, AND BUILD A SKILLED WORKFORCE TO IMPROVE THE LONG-RUN SUSTAINABILITY OF ALBERTA'S ECONOMY, through:

This Capital Plan increases the capacity of, and access to, quality learning and research opportunities.

- Commencing construction of the Energy, Environment, and Experiential Learning Building at the University of Calgary to house the Institute for Sustainable Energy, Environment and Economy. This institute will draw upon expertise in oil and gas, environmental and petroleum engineering, geology, economics, commerce, law and sustainable development to educate post-secondary students and conduct research;
- Increasing the capacity of, and access to, quality learning and research opportunities by expanding and upgrading post-secondary infrastructure and equipment, and
- Completion of the Faculty of Veterinary Medicine facilities at the University of Calgary.

PROMOTE STRONG AND VIBRANT COMMUNITIES AND REDUCE CRIME SO ALBERTANS FEEL SAFE, through:

This Capital Plan supports the development of more than 11,000 affordable housing units.

- Supporting government's goal of developing more than 11,000 affordable housing units;
- Increasing the number of treatment beds for drug addictions and mental health services, as recommended by the Crime Reduction and Safe Communities Task Force;
- Replacement of the Edmonton Remand Centre;
- Fulfilling our final year commitment of the Major Community Facilities Program that assists communities in constructing, maintaining or upgrading community public-use facilities used for sport, recreation, culture and wellness;
- Expanding and upgrading community-use facilities across the province through ongoing support for the Community Facility Enhancement Program;
- Support for expanding the TELUS World of Science in Calgary;
- Providing funding to support a bid to locate the National Portrait Gallery in Alberta;
- Providing funding towards the development of a Capital Region River Valley Park;
- Developing video arraignment capability at all major remand and corrections facilities, and
- Support toward the creation of 14,000 new child care spaces by 2011.

PROVIDE THE ROADS, SCHOOLS, HOSPITALS AND OTHER PUBLIC INFRASTRUCTURE TO MEET THE NEEDS OF A GROWING ECONOMY AND POPULATION, through:

- Ensuring implementation of the Premier's commitment to all Alberta municipalities to provide them with a stable and sustainable funding source to address growth pressures through the Municipal Sustainability Initiative;
- Funding for schools, including the construction of 18 new K-9 schools in Edmonton and Calgary through the Alberta Schools Alternative Procurement (ASAP) Phase 1 project, with another 14 schools committed for the Edmonton and Calgary regions in Phase 2;
- Completion of several major school upgrade projects across the province;
- Twinning segments of Highway 63 to Fort McMurray;
- Continue with the construction of ring roads in Calgary and Edmonton;
- Providing funding for the Regional Municipality of Wood Buffalo to construct highway interchanges, build a long-term care facility and enhance the wastewater collection system to support the rapid growth in the area, and
- Allocating additional resources to deal with capital maintenance and renewal and cost escalation pressures.

Construction of ring roads in Calgary and Edmonton continue to be supported.

ALBERTA'S MAJOR CAPITAL ACCOMPLISHMENTS

Through Alberta's Capital Plan, government has provided significant support for infrastructure in recent years. Some notable achievements which have resulted from this support are listed below:

- Developed the *20-Year Strategic Capital Plan* to identify Alberta's needs and address key infrastructure priorities;
- Fulfilled the Premier's pledge to provide long-term funding to municipalities by establishing the Municipal Sustainability Initiative in 2007, investing $11.3 billion over the next 10 years to help manage local infrastructure pressures;
- Completed the Sheldon Chumir Health Centre in Calgary;
- Completed long-term care facilities in Westlock, Vermilion and Vegreville;
- Opening of the Mazankowski Alberta Heart Institute in Edmonton, May 2008;
- Provided almost $280 million towards the development of affordable housing units in 2007-08;
- Opened 13 new schools across the province in 2007-08;
- Accepted three proponents to submit proposals to open 9 new schools in each of Edmonton and Calgary through the ASAP Phase 1 initiative;
- Completed the southeast leg of Edmonton's Anthony Henday ring road in 2007, Alberta's first major highway public-private partnership (P3), providing an 11-kilometre freeway link between the Queen Elizabeth II Highway and Highway 14;
- Issued a Request for Proposal for a P3 model of construction on the northwest segment of the Edmonton ring road;
- Paved 1,100 kilometres of provincial highways in 2007;

The 20-Year Strategic Capital Plan will guide decisions on Alberta's key infrastructure priorities.

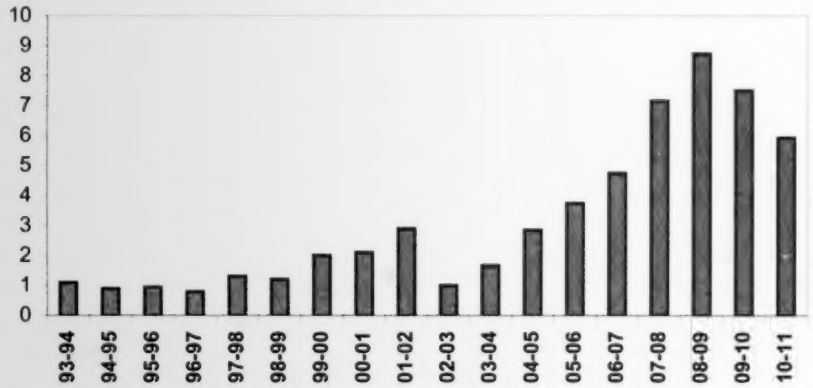
- Completed projects for:
  - Centres for Instrumentation Technology and Millwright Technology at NAIT;
  - Grant MacEwan College's Robbins Health Learning Centre;
  - Keyano College's Sport and Wellness Centre, and
  - the University of Lethbridge's Service Building;
- Opened the new $300 million Calgary Courts Centre, Canada's newest and largest court facility replaces five smaller court facilities throughout downtown Calgary;
- Completed most of the site preparation work for the construction of the new $620 million Edmonton Remand Centre, for which foundation work has just commenced;
- Undertook a major renovation to the Canmore Nordic Centre, which will host World Cup events and be used as a training facility in preparing Canadian athletes for the 2010 Winter Olympics;
- Delivered $316 million towards capital maintenance and renewal projects in 2007-08 through the allocation of unanticipated surplus funds, and
- Established the Alternative Capital Financing Office within the Ministry of Treasury Board to increase the province's capacity to deliver alternatively financed projects.

The new Calgary Courts Centre held its grand opening in January 2008.

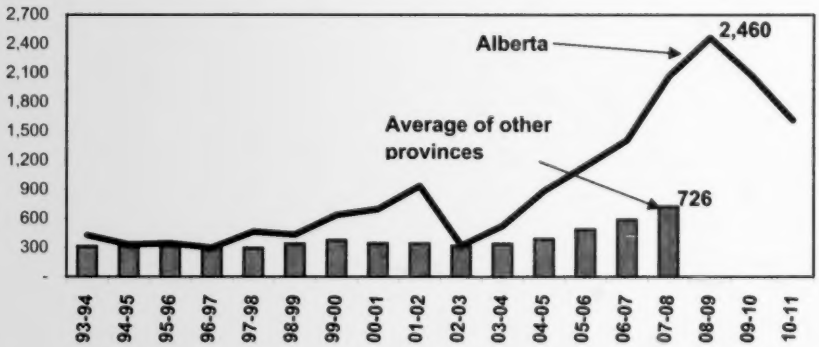
PROVINCE'S SUPPORT FOR CAPITAL INFRASTRUCTURE

The 2008-11 Capital Plan will directly support $22.2 billion in capital projects, averaging approximately $7.4 billion per year, up from an average of $2.7 billion per year over 2000 to 2007. This degree of capital support is unmatched in the rest of Canada. Alberta's per capita spending on infrastructure is approximately three times the average of other provinces. In 2008-09, Alberta will spend over $8.7 billion on capital projects or about $2,460 per person. The average per capita spending on infrastructure in other provinces is about $726 per person.

Province's Support for Capital Infrastructure
(billions of dollars)



Interprovincial Comparison of Capital Spending
(dollars per capita)



Source: Dominion Bond Rating Service Limited, *The 2007 Canadian Federal and Provincial Governments Overview: Still on Solid Ground*, October 2007. Alberta data for 2007-11 has been updated by Alberta Finance and Enterprise.

In 2008-09, Alberta's per capita spending on infrastructure will be about three times the average of other provinces.

SURPLUS ALLOCATION FOR CAPITAL REQUIREMENTS

In *Budget 2007*, the government established a policy to allocate unanticipated in-year increases in the available cash surplus. Two-thirds of the increase was allocated to capital, with capital maintenance and renewal as the priority. The capital allocation could be provided for in-year spending or retained in the Capital Account for future spending.

The surplus allocation policy has provided $1.6 billion for capital requirements over the next three years.

Including the unanticipated surplus from 2006-07 and the first two quarterly fiscal updates from 2007-08, $1.6 billion has been allocated for capital requirements over the next three years. Of that amount, $215 million will go towards the construction of the Energy, Environment, and Experiential Learning Building at the University of Calgary, $382 million for projects in the Wood Buffalo region in response to recommendations made in the Radke Report, $246 million for the new Edmonton Remand Centre and $760 million for capital maintenance and renewal and highway rehabilitation projects. The following table outlines the surplus allocation to the 2008-11 Capital Plan:

Allocation of Surpluses to the 2008-11 Capital Plan
(millions of dollars)

	2008-09	2009-10	2010-11	Total
Surplus from 2006-07:				
Capital maintenance and renewal	34	–	–	34
Highway rehabilitation	9	–	–	9
Surplus from 2007-08 First Quarter:				
Energy, Environment, and Experiential Learning Building	85	65	65	215
Highway rehabilitation	117	–	–	117
Edmonton Remand Centre	6	–	–	6
Surplus from 2007-08 Second Quarter:				
Capital maintenance and renewal	247	88	–	335
Highway rehabilitation	–	155	110	265
Edmonton Remand Centre	17	105	118	240
Response to Radke Report	83	153	146	382
Total Funding Approved	**598**	**566**	**439**	**1,603**

Note: The table does not include $428 million spent in 2007-08 and $73 million for projects in 2011-12.

Capital maintenance includes the preservation of government facilities and the infrastructure maintenance programs for schools, post-secondary institutions and health facilities. This spending is classified as capital expense, and is most often paid out to supported infrastructure organizations as capital grants. Minor maintenance and other routine spending required for the normal operation of an asset are considered to be operating expenses, which are not included in the Capital Plan.

Capital renewal includes modernization projects that rehabilitate existing assets. These activities are classified as capital expense, if paid out as grants, or as capital investment for government-owned assets.

GOVERNMENT RESPONSE TO RADKE REPORT

Government identified a list of items for immediate action in its second response to the Radke Report, developed to help meet the growing infrastructure demands caused by the rapid development of Alberta's oil sands. Combining the $174 million in capital support approved in *Budget 2007* and the $420 million commitment made in *Budget 2008*, the majority of the capital recommendations contained within the Radke Report will be completed. Nearly $600 million is directed to the following projects in the Regional Municipality of Wood Buffalo:

In response to the Radke Report, government will provide $594 million towards infrastructure needs in the Regional Municipality of Wood Buffalo.

Radke Report Response
(millions of dollars)

	2007-08	2008-09	2009-10	2010-11	Total
Budget 2007:					
Water/wastewater treatment facility	35	34	34	–	103
300 affordable housing units	45	–	–	–	45
Health projects	26	–	–	–	26
Subtotal	**106**	**34**	**34**	**–**	**174**
Budget 2008:					
Confederation Way and Highway 63 Interchange	–	–	76	81	157
Thickwood Boulevard and Highway 63 Interchange	–	23	63	57	143
Long-term care centre	–	20	10	5	35
Upgrade wastewater collection system	–	30	–	–	30
Develop regional landfill	15	–	–	–	15
Ecole McTavish School	–	3	6	5	14
Additional holding cells for RCMP detachment	1	2	4	3	10
Community health clinics and emergency department	–	14	–	–	14
Funding for additional child care spaces	–	2	–	–	2
Subtotal	**16**	**94**	**159**	**151**	**420**
Total Funding Approved	**122**	**128**	**193**	**151**	**594**

CAPITAL PLAN DETAILS

Capital Plan Summary by Function
(millions of dollars)

	2008-09 Estimate	2009-10 Target	2010-11 Target	3-year Total
Municipal infrastructure support	1,626	1,684	1,687	4,997
Provincial highway network	1,852	1,780	1,530	5,162
Health facilities and equipment	1,375	1,151	811	3,337
Schools	624	710	326	1,660
Post-secondary facilities	841	423	216	1,480
Community facilities	526	114	65	705
Water and wastewater management	260	253	208	721
Housing	409	328	340	1,077
Government facilities, equipment and other capital	769	573	544	1,886
Capital for emergent projects	130	100	100	330
Provision for cost escalation on approved projects	309	386	108	803
Total Capital Plan	**8,721**	**7,502**	**5,935**	**22,158**

CHANGES TO THE 2008-11 CAPITAL PLAN

The 2008-11 Capital Plan represents a $3.9 billion increase from the 2007-10 Capital Plan.

At $22.2 billion, the 2008-11 Capital Plan represents a 21 per cent, or $3.9 billion increase from the 2007-10 Capital Plan published in *Budget 2007*. In *Budget 2008*, major increases have been provided to address cost escalation on approved projects and to accommodate capital maintenance and renewal requirements to maintain our existing infrastructure.

Comparison of 2007-10 and 2008-11 Capital Plans
(millions of dollars)

	2007-10 Budget 2007	2008-11 Budget 2008	Change
Municipal infrastructure support	4,262	4,997	735
Provincial highway network	4,614	5,162	548
Health facilities and equipment	3,043	3,337	294
Schools	1,278	1,660	382
Post-secondary facilities	1,583	1,480	(103)
Community facilities	819	705	(114)
Water and wastewater management	679	721	42
Housing	488	1,077	589
Government facilities, equipment and other capital	1,113	1,886	773
Capital for emergent projects	366	330	(36)
Provision for cost escalation on approved projects	–	803	803
Total Capital Plan	**18,245**	**22,158**	**3,913**

MUNICIPAL INFRASTRUCTURE SUPPORT

Many of the pressures arising from the province's growth are most evident at the municipal level, and the government is committed to providing Alberta's municipalities with long-term sustainable funding to meet their infrastructure needs. Municipal infrastructure support has increased by $735 million from 2007-10 funding levels, mainly due to the new Municipal Sustainability Initiative, offset by the completion of the Alberta Municipal Infrastructure Program and some federal infrastructure programs in 2009-10. Over 2008-11, almost $5 billion will be provided, and this support includes:

Support for municipal infrastructure has increased by $735 million from 2007-10 funding levels.

- $2.4 billion for capital grants under the Municipal Sustainability Initiative to address core municipal infrastructure needs such as roads, bridges, public transit and emergency services;
- $1.2 billion for the final two years of the 5-year, $3 billion Alberta Municipal Infrastructure Program, which provides financial assistance to municipalities for roads, bridges, public transit, water and wastewater, emergency services, and infrastructure management systems;
- $1 billion for municipal transportation grants for urban and rural centres based on 5 cents per litre of fuel delivered in Edmonton and Calgary; $60 per capita for other urban municipalities, and other programs based on factors such as kilometres of open road and terrain;
- $286 million under the federal Gas Tax Fund Program, which returns a portion of the federal gasoline tax to the province for distribution to municipalities;
- $81million for Alberta's share of the Canada-Alberta Municipal Rural Infrastructure Fund;
- $53 million, through the federal Public Transit Trust program, to be shared among 11 communities in support of capital infrastructure projects required to expand and improve public transit systems, and
- $36 million for other municipal support such as underground petroleum storage tank site remediation.

$2.4 billion in capital grants will be provided under the Municipal Sustainability Initiative.

PROVINCIAL HIGHWAY NETWORK

The government continues to recognize the important role of a safe and efficient provincial highway network to Alberta's economy. The increase of $548 million from 2007-10 levels brings the support for provincial highway projects to $5.2 billion over the next three years. This will enable the government to continue developing important strategic economic corridors, such as ring road links in Edmonton and Calgary, and twinning and other improvements to Highway 63. The 2008-11 Capital Plan includes funding to:

The amount of funding for highway rehabilitation has almost doubled since Budget 2007.

- Increase rehabilitation work on highways throughout the province to almost double the amount of funding over *Budget 2007* levels;
- Continue twinning portions of Highway 63 between Edmonton and Fort McMurray, as well as ongoing expansions and preservation work on other highways that are part of the Northeast Alberta Transportation Corridor;
- Complete the northeast segment of the Calgary Stoney Trail ring road as a P3 project;

- Complete the northwest portion of the Calgary Stoney Trail ring road and continue with planning work to begin construction on the southwest leg;
- Continue with planning and construction of the northwest portion of the Edmonton Anthony Henday ring road;
- Continue development of the North-South Trade Corridor, including freeway status upgrades between Calgary and Edmonton, and the 4-laning of Highway 43 from Gunn to Grande Prairie and Highway 4 near Milk River;
- Replace the bridge over the Smoky River at Highway 49 near High Prairie;
- Widen several highways across the province, and
- Complete two interchanges on Highway 63 within Fort McMurray at Thickwood Boulevard and Confederation Way.

HEALTH FACILITIES AND EQUIPMENT

Government is committed to ensuring that Albertans have improved access to quality health care services. Health authorities will receive capital funding totaling $3.3 billion over the next three years for expansion projects, construction of new health facilities and for health information systems and vaccines. This is an increase of $294 million over 2007-10 levels.

This Capital Plan provides funding for Phase 1 of the Medicine Hat Regional Hospital expansion and redevelopment.

Budget 2008 includes funding for the Phase 1 expansion and redevelopment of the Medicine Hat Regional Hospital, for development of new cancer radiation therapy centres in Lethbridge, Red Deer and Grande Prairie, and for the construction of over 800 long-term care beds in Strathmore, Didsbury, Calgary, Lacombe, Edmonton, Lloydminster and Stony Plain. In recognition of the exceptional growth in the Regional Municipality of Wood Buffalo, $49 million is being provided to expand emergency and ambulatory care departments at the Northern Lights Regional Health Centre, to develop three new community health clinics, and to construct a long-term care facility.

The 2008-11 Capital Plan includes funding to continue with the implementation of the following health commitments:

Major redevelopment and expansion projects to core health care facilities in Edmonton and Calgary will be completed.

- Phase 1 construction of the South Calgary Health Campus; a state-of-the-art facility that will integrate health research and education with inpatient, outpatient and community care, and the promotion of wellness;
- A new hospital in Sherwood Park;
- The Peace Country Regional Health Centre in Grande Prairie;
- Construction of the Edmonton Clinic, in a joint partnership between Capital Health and the University of Alberta, which will be a leader in innovative complex outpatient and clinical care;
- Redevelopment and expansion of the Peter Lougheed Centre, Rockyview General Hospital and Foothills Medical Centre in Calgary, and the Misericordia, Grey Nun's, Royal Alexandra and University hospitals in Edmonton;
- Replacement of the health centres in High Prairie and Fort Saskatchewan;
- Renovation and expansion of health centres in Edson, Barrhead, Viking and the Regional Municipality of Wood Buffalo;

- Redevelopment of the Chinook Regional Hospital in Lethbridge;
- $244 million for health information systems initiatives; such as the Diagnostic Imaging Strategy and the Electronic Health Records project, that provide the technology and opportunity necessary to continue delivering health services in new and innovative ways;
- $343 million for capital maintenance and renewal at locations throughout the province, and
- $120 million for the acquisition of various vaccines.

$343 million is provided for capital maintenance and renewal at health facilities throughout the province.

This commitment in *Budget 2008* will improve access to health services. It will also provide more acute care beds at various hospitals throughout the province over the next several years, as well as enhance capacity in areas such as ambulatory, diagnostic, emergency and surgical care.

SCHOOLS

Over $1.6 billion will be provided for new school facilities and preservation and expansion projects for 2008-11. This represents a net increase of $382 million over original 2007-10 funding levels, mainly for building new schools, school upgrades, and increases to the Infrastructure Maintenance Program, which manages the capital maintenance and renewal of existing school facilities. This funding commitment by the government recognizes the important role education plays in building a stronger Alberta.

Funding for schools has increased by $382 million over 2007-10 levels.

Budget 2008 continues to support the construction of 18 new K-9 schools to high growth areas in Edmonton and Calgary, 9 for each city, through an alternative procurement process. The schools will use a core design with modular classrooms that can be moved to accommodate changing student populations, and are scheduled to be open by Fall 2010. Additional funding has been committed for the next phase to provide 14 new middle and senior high schools in Calgary, Edmonton, Okotoks, Langdon, Spruce Grove and Sherwood Park.

Since *Budget 2007*, over $91 million has been added for cost escalation on maintenance projects, and $190 million to modernize 20 schools and purchase modulars and classroom equipment. In 2008-09, there will be over 7,000 new spaces created from the opening of new schools, additions and modular classrooms.

Schools being delivered through alternative procurement will use a core design with modular classrooms to respond to changing student populations.

The 2008-11 Capital Plan for school infrastructure includes funding for:

- Priority school infrastructure revitalization projects throughout the province including roof repairs, health and safety upgrades, mechanical system replacements and energy efficiency improvements, and
- 134 new or major modernization projects in various stages of completion. This includes 20 new schools, replacement schools, major additions and modernizations, scheduled to open in 2008-09.

POST-SECONDARY FACILITIES

$1.5 billion in spending will increase access to post-secondary education and will stimulate economic growth through enhanced research and innovation.

$1.5 billion in support to post-secondary facilities over 2008-11 demonstrates government's commitment to advanced education and building a skilled workforce that can compete in the global economy. This spending will increase access to post-secondary education for all Albertans and will stimulate economic growth through enhanced research and innovation. Upon completion of the projects in the Capital Plan, thousands of new student spaces will be available.

Although there is a decrease in overall funding from 2007-10 levels due to the winding down of major construction projects, *Budget 2008* includes $372 million in new funding to address cost increases on the Edmonton Clinic and additional funding for infrastructure maintenance projects, as well as $83 million to complete additional capital maintenance and renewal work.

The 2008-11 Capital Plan includes significant investments in post-secondary facilities, such as:

- Energy, Environment, and Experiential Learning Building at the University of Calgary, providing an additional 1,000 spaces for graduate and undergraduate students;
- Centennial Centre for Interdisciplinary Science at the University of Alberta, which will increase access for 2,000 students in graduate and undergraduate science programs;
- Edmonton Clinic, which will create more than 800 new spaces for students in health care related professions;
- Bow Valley College, both the renovation of the existing facility and the construction of a new four-storey building to add approximately 100 new classrooms, labs and learning spaces;
- University of Calgary Taylor Family Digital Library to provide students, faculty and researchers access to learning resources and all forms of information;
- University of Calgary Faculty of Veterinary Medicine facilities;
- Markin Building for Health Sciences and Management at the University of Lethbridge to bring together the Faculty of Management and the School of Health Sciences;

$357 million has been provided for infrastructure maintenance of post-secondary facilities.

- Lakeland College Vermilion Campus to upgrade the mechanical system in the Applied Engineering Building;
- Medicine Hat College to construct an addition and renovate portions of the Main Building, and
- $357 million for infrastructure maintenance at post-secondary institutions across the province, a significant increase from the previous three-year plan.

COMMUNITY FACILITIES

Community facilities play a key role in maintaining a culturally vibrant province, strengthening our communities and promoting tourism. Museums, historic sites, provincial parks, indoor and outdoor recreation centres, and buildings utilized by non-profit groups and foundations for various purposes are examples of facilities that collectively enhance community life and citizen well-being and benefit from the infrastructure support provided in the Capital Plan.

Additional funding has been provided for the capital maintenance and renewal of provincial parks, museums and historic sites.

While additional funding has been provided for the capital maintenance and renewal of provincial parks, museums and historic sites over 2008-11, there is an overall decrease for community facilities mainly due to the expiration of the two-year Major Community Facilities Program after 2008-09. Three-year support totaling $705 million for community facilities across the province includes:

- $183 million to continue work to refurbish the Royal Alberta Museum;
- $140 million for the final year of the Major Community Facilities Program, which contributes funding towards the cost of constructing, maintaining or upgrading community public-use facilities used for sport, recreation, culture and wellness;
- $50 million towards the development of the Capital Region River Valley Park;
- $40 million each to expand the TELUS World of Science in Calgary and to support an Alberta bid for the National Portrait Gallery;
- $39 million annually for the ongoing Community Facility Enhancement Program, which provides matching grants to support the expansion and upgrading of Alberta's extensive network of community-use facilities;
- $29 million to fulfill the province's commitment to provide $69 million in support of the Calgary Olympic Development Association's $276 million capital renewal project, and
- Ongoing funding for maintenance and upgrades to provincial parks, museums and historic sites to improve the quality of life for Albertans and promote the Alberta tourism experience.

Funding has been provided towards development of the Capital Region River Valley Park and for expansion of the TELUS World of Science in Calgary.

WATER AND WASTEWATER MANAGEMENT

$721 million will be invested in water infrastructure over the next three years.

Funding commitments for initiatives that ensure Albertans continue to have access to a safe and secure water supply have remained consistent from year to year. An investment of $721 million for water infrastructure will be made in the following areas:

- Regional water and wastewater treatment projects throughout the province, supporting the *Water for Life* strategy;
- Grants to municipalities under the Alberta Municipal Water/Wastewater Program;
- Irrigation rehabilitation grants to sustain the agriculture industry, and
- Government dams, canals and erosion-control infrastructure.

HOUSING

Budget 2008 *provides $1.1 billion towards housing.*

The provision of affordable housing for Albertans is a critical priority for government. The objectives are to increase the supply of affordable and barrier-free housing to address demand, transitional housing to help reduce homelessness and seniors housing to allow more seniors to remain in their homes. *Budget 2008* includes $1.1 billion over three years for programs to help achieve these goals, which is an increase of $589 million over funding planned in last year's budget. This significant commitment of additional resources for housing over 2008-11 includes:

- Support for government's goal of developing more than 11,000 affordable housing units, including the use of some federal funding for affordable and off-reserve aboriginal housing grants, and
- Provision of more seniors housing through the Affordable Supportive Living Initiative and the Lodge Renovation and Repair program, enabling the construction of 1,650 additional units and the renovation of approximately 300 units.

GOVERNMENT FACILITIES, EQUIPMENT AND OTHER CAPITAL

The Climate Change and Emissions Management Fund and the Canada Eco-Trust will support initiatives aimed at reducing greenhouse gas emissions.

The three-year support for government facilities, equipment and other capital totals $1.9 billion. This is an increase of $773 million over 2007-10 levels as a result of resources provided for capital maintenance and renewal of provincially-owned facilities and two new programs that support clean air and deal with climate change; the Climate Change Emissions Management Fund and the Canada Eco-Trust for Clean Air and Climate Change. The 2008-11 Capital Plan includes funding for:

- Strategic projects for transformative technology initiatives through the Climate Change and Emissions Management Fund aimed at reducing greenhouse gas emissions;
- Canada Eco-Trust for Clean Air and Climate Change, which is a federally funded program to support applied research, demonstration projects and technology development with strong potential to reduce greenhouse gas emissions;
- Construction of the new Edmonton Remand Centre;
- Increasing the number of child care spaces;
- Replacement of the research greenhouse at the Brooks Crop Diversification Centre South;
- Retrofitting three airtanker aircraft, as well as upgrades to several airtanker bases to meet Transport Canada Safety Standards and Program Requirements;
- Planning and design of capital projects to ensure all options are considered and cost estimates are more accurate in the early stages of approval;
- Development of a province-wide police strategic information technology system that will improve sharing of information between several public safety organizations and improve police information gathering and intelligence analysis, and
- Information technology initiatives and government facility upgrades.

Development of a province-wide police strategic information technology system will improve sharing of information between public safety organizations.

CAPITAL FOR EMERGENT PROJECTS

This $330 million is to address emerging capital needs, which could include roads, schools, health and post-secondary facilities. Annual funding for this program is $100 million; however, it can fluctuate due to slower than anticipated progress on some projects, resulting in the carry over of funds from prior years. A portion of this funding has already been committed to specific projects over 2008-11.

PROVISION FOR COST ESCALATION ON APPROVED PROJECTS

The 2008-11 Capital Plan includes $803 million to address cost escalation on approved capital projects.

The 2008-11 Capital Plan includes $803 million that will be available for cost escalation on approved projects. The full $803 million for 2008-11 will remain in the Capital Account until it is allocated to ministries for escalation on specific projects. This approach differs from *Budget 2007* where $1 billion was set aside for cost escalation, but not included in the Capital Plan. The $1 billion set aside in *Budget 2007* was allocated to several major projects such as the South Calgary Health Campus, and the Edmonton Clinic. Cost estimates to complete projects are subject to significant inflationary pressure as many projects are chasing scarce labour and input resources. Cost escalation on previously approved projects uses up available fiscal room, and therefore constrains government's ability to add new projects to the Capital Plan.

LOCAL AUTHORITIES AND GOVERNMENT-OWNED CAPITAL

Government supports not only government-owned and operated infrastructure, but also infrastructure owned and operated by local authorities such as municipalities, health authorities, housing facility operators, irrigation districts, school boards and post-secondary institutions. The following table summarizes support to government-owned and local authorities' capital.

Local Authorities and Government-Owned Capital
(millions of dollars)

	2008-09 Estimate	2009-10 Target	2010-11 Target	3-year Total
Local authorities capital	5,801	4,841	3,693	14,335
Government-owned capital	2,817	2,606	2,183	7,606
Other infrastructure suport[a]	103	55	59	217
Total Capital Plan	**8,721**	**7,502**	**5,935**	**22,158**

[a] Includes capital support for provincial capital planning, accommodation, and government facility preservation expense.

CAPITAL PLAN FUNDING SOURCES

The 2008-11 Capital Plan will be funded from the following three sources:

The Capital Account funds 76% of the 2008-11 Capital Plan.

Capital Plan Funding Sources
(millions of dollars)

	2008-09 Estimate	2009-10 Target	2010-11 Target	3-year Total
Current-year revenue	1,661	1,420	928	4,009
Capital Account	6,865	5,427	4,466	16,758
Alternative financing	195	655	541	1,391
Total Capital Plan	**8,721**	**7,502**	**5,935**	**22,158**

The Capital Account is used to finance capital spending. The *Fiscal Responsibility Act* permits non-renewable resource revenue above $5.3 billion to be allocated to the Capital Account and used in the current and future years.

Alternative financing can take different forms, including direct government borrowing, capital leases, public-private partnerships (P3s) and borrowing by local authorities. Alberta has not used direct borrowing to fund its Capital Plan over the last few years; however, Alberta is using P3s to help meet the province's capital requirements.

The Alternative Capital Financing Office was established in the Ministry of Treasury Board to identify and analyze alternatives, such as P3s, for building and financing capital projects. Alberta is committed to pursuing new ways to undertake capital projects. The following table summarizes the projected use of alternative financing for the 2008-11 period:

Alberta is committed to pursuing new ways to undertake capital projects.

Alternative Financing Summary by Function
(millions of dollars)

	2008-09 Estimate	2009-10 Target	2010-11 Target	3-year Total
Value of Assets Under Construction[a]				
Provincial Highway Network	45	217	241	503
Health Facilities and Equipment	–	150	150	300
Schools	150	288	150	588
Total	**195**	**655**	**541**	**1,391**
Principal Repayment for Completed Projects				
Provincial Highway Network	5	7	8	20
Health Facilities and Equipment	–	–	–	–
Schools	–	–	4	4
Total	**5**	**7**	**12**	**24**
Debt Servicing Cost for Completed Projects				
Provincial Highway Network	18	21	25	64
Health Facilities and Equipment	–	–	–	–
Schools	–	–	11	11
Total	**18**	**21**	**36**	**75**

[a] Assets under construction are recorded on an annual percentage completion basis or upon completion, depending on the contract.

PUBLIC-PRIVATE PARTNERSHIPS

A P3 in Alberta is an infrastructure project in which a private contractor provides project financing and designs and builds the project. The P3 could also include having the private contractor provide an "extended warranty" by operating and maintaining the project. The government pays the private contractor over the contract period but would reduce the payments if the contractor does not meet defined performance standards.

P3s are being used for a number of reasons. They can allow government access to private sector expertise and accommodate the transfer of certain risks, such as cost escalation and construction delays, to the private sector. P3s often include operations and maintenance of the infrastructure which provides an "extended warranty" over the contract period compared to a 1 or 2-year warranty using traditional procurement. Including the operations and maintenance also ensures the government has well maintained assets over the contract period and enables the government to address the life-cycle costs of the infrastructure. The government pays for risk transfer, so achieving the optimum allocation of risk between the public and private partners is essential to generating value using a P3.

Alberta will only pursue a P3 when there is greater value to using a P3 than traditional procurement methods.

Alberta will only pursue a P3 when there is greater value to using a P3 than acquiring an asset using traditional procurement methods. Each P3 is evaluated to ensure value for money over the life of the contract and is reviewed by an external advisory committee made up of private sector members.

The government has pursued some projects where value was demonstrated. Approved P3 projects to date are:

The Anthony Henday Drive Southeast ring road project was Alberta's first major P3 that included private financing.

- The Anthony Henday Southeast ring road project in Edmonton was Alberta's first major P3 that included private financing. The P3 agreement includes the design, construction, financing and operation of that road for 30 years. By using a P3, the government was protected from cost overruns and insulated from risks such as weather delays and construction difficulties. This segment of the Edmonton ring road opened in October 2007, on time and on budget. Using a P3 approach provided a net savings of approximately $4.7 million compared to a conventional procurement and maintenance model, and
- The Northeast Stoney Trail ring road project in Calgary is another example of a successful P3 Design-Build-Finance-Operate project. The P3 model resulted in an estimated savings of $350 million when compared to the conventional procurement approach. Construction of this road is currently underway and it is on schedule to be completed in Fall 2009.

Other P3 procurements currently being considered are:

- The Anthony Henday Northwest ring road project is in the process of receiving proposals from three qualified bidders. Final proposal submissions will be received in May 2008, at which time bids will be evaluated to determine if the P3 procurement provides value. Construction could start as early as Fall 2008 and be completed by Fall 2011.

Alberta has announced a P3 process for school procurement.

- The Alberta Schools Alternative Procurement project (ASAP) Phase 1 project includes the design, building, financing and 30-year maintenance of 18 schools, 9 in Edmonton and 9 in Calgary. Three proponents have been selected to submit proposals, which will be received in July 2008. By using a P3, the schools could be open by Fall 2010.
- A second package of ASAP projects (Phase 2) was announced and will follow a similar approach to deliver 14 schools in Calgary, Edmonton, Okotoks, Langdon, Spruce Grove and Sherwood Park. Unlike the first ASAP project that consists exclusively of K-4, K-6 and K-9 configurations, Phase 2 will include a focus on innovative new design concepts for middle and senior high schools in the Edmonton and Calgary regions.

The government will consider the remaining segments of the Edmonton and Calgary ring roads and could consider other social infrastructure projects for P3 procurement if they have the potential to generate value. Additional P3 projects could include health care, post-secondary and water/wastewater treatment facilities.

Alberta is committed to maintaining transparency and completeness in how it accounts for its P3 projects.

Alberta is committed to maintaining transparency and completeness in how it shows its P3 projects in its financial records. The ring roads are government assets, so the capital asset and the corresponding liability are recorded on the government's balance sheet as the project is constructed. Schools constructed as part of the ASAP project will be owned by the school boards, even though the government is signing the agreement. The government will show the value of these schools as a capital expense and will also record the corresponding liability. These methods of showing P3s are consistent with generally accepted accounting principles, which the government is committed to following.

FEDERAL BUILDING CANADA PLAN

In its 2007 budget, the federal government announced an infrastructure investment totaling $33 billion, to be provided to provinces and territories under the Building Canada Plan over seven years. Alberta's total entitlement under the Plan is estimated at $1.8 billion. The federal government's contribution supports Alberta's commitment in addressing its current growth pressures and future long-term needs. The approved projects under the Building Canada Plan will mainly focus on roads and highways, bridges, public transit, water and sewer systems and green energy.

The federal government is proposing to sign an infrastructure framework agreement with Alberta. The Canada-Alberta Infrastructure Framework Agreement will establish a high-level governance structure to outline the basic program parameters and guide future negotiations. The federal contributions will be included in Alberta's Capital Plan once provincial and federal negotiations are finalized.

2008–11 CAPITAL PLAN
DETAILS TABLE

Budget 2008
THE RIGHT PLAN FOR
TODAY & TOMORROW

Capital Plan Details

(millions of dollars)

	2008-09 Estimate	2009-10 Target	2010-11 Target	3-Year Total
Municipal Infrastructure Support				
Municipal Sustainability Initiative	450	550	1,350	2,350
Alberta Municipal Infrastructure Program	609	561	-	1,170
Municipal transportation grants	350	352	319	1,021
Federal Gas Tax Fund	95	191	-	286
Canada-Alberta Municipal Rural Infrastructure Fund	42	23	16	81
Federal Public Transit Trust	47	6	-	53
Other support	33	1	2	36
Total Municipal Infrastructure Support	**1,626**	**1,684**	**1,687**	**4,997**
Provincial Highway Network				
Highway construction	394	377	313	1,084
Calgary Ring Road	488	330	211	1,029
Edmonton Ring Road	298	280	288	866
Highway rehabilitation	235	303	268	806
Rural and Urban North-South Trade Corridors	174	173	240	587
Northeast Alberta Transportation Corridor	206	228	138	572
Other economic corridors	57	89	72	218
Total Provincial Highway Network	**1,852**	**1,780**	**1,530**	**5,162**
Health Facilities and Equipment				
New facilities and expansions	1,062	958	610	2,630
Capital maintenance and renewal	173	81	89	343
Health information systems	100	72	72	244
Vaccines	40	40	40	120
Total Health Facilities and Equipment	**1,375**	**1,151**	**811**	**3,337**
Schools				
New facilities and expansions	429	528	192	1,149
Capital maintenance and renewal	195	182	134	511
Total Schools	**624**	**710**	**326**	**1,660**
Post-Secondary Facilities				
New facilities and expansions	681	314	109	1,104
Capital maintenance and renewal	154	103	100	357
Other support	6	6	7	19
Total Post-secondary Facilities	**841**	**423**	**216**	**1,480**

Capital Plan Details – continued

(millions of dollars)

	2008-09 Estimate	2009-10 Target	2010-11 Target	3-Year Total
Community Facilities				
Royal Alberta Museum	143	40	-	183
Major Community Facilities Program	140	-	-	140
Community Facility Enhancement Program	39	39	39	117
Parks capital maintenance and renewal	37	18	18	73
Capital Region River Valley Park	50	-	-	50
TELUS World of Science Calgary	40	-	-	40
National Portrait Gallery bid	40	-	-	40
Calgary Olympic Development Association renewal projects	20	9	-	29
Other support	17	8	8	33
Total Community Facilities	**526**	**114**	**65**	**705**
Water and Wastewater Management				
Regional water/wastewater projects - *Water for Life*	100	100	100	300
Municipal Water and Wastewater Partnership grants	104	88	50	242
Irrigation rehabilitation grants	19	33	24	76
Carseland-Bow River Headworks System rehabilitation	22	20	23	65
Municipal Industrial Wastewater Infrastructure for Agricultural Processing Program	5	5	5	15
Other support	10	7	6	23
Total Water and Wastewater Management	**260**	**253**	**208**	**721**
Housing				
Affordable Housing programs	283	278	290	851
Affordable Supportive Living Initiative, lodge regeneration and other seniors housing programs	100	50	50	200
Canada-Alberta Affordable Housing Trust Funds	26	-	-	26
Total Housing	**409**	**328**	**340**	**1,077**
Government Facilities, Equipment and Other Capital				
Edmonton Remand Centre replacement	167	200	200	567
Climate Change and Emissions Management Fund	116	71	59	246
Capital maintenance and renewal	43	17	10	70
Eco-Trust for Clean Air and Climate Change	39	39	39	117
Capital project planning	15	19	25	59
Other support	389	227	211	827
Total Government Facilities, Equipment and Other Capital	**769**	**573**	**544**	**1,886**
Capital for Emergent Projects				
Portion in Transportation	67	60	60	187
Portion in Infrastructure	63	40	40	143
Total Capital for Emergent Projects	**130**	**100**	**100**	**330**
Provision for cost escalation on approved projects	**309**	**386**	**108**	**803**
Total Capital Plan	**8,721**	**7,502**	**5,935**	**22,158**

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ECONOMIC OUTLOOK

ECONOMIC OUTLOOK

Budget 2008
THE RIGHT PLAN FOR
TODAY & TOMORROW

Economic Outlook
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Summary and Key Assumptions

Following a period of exceptional growth, Alberta's economy returned to a more sustainable pace in 2007. Real economic growth was estimated at a healthy 3.0%. Capacity pressures led to increased costs, particularly in the housing and construction sectors. Increased housing prices contributed to a decline in the number of Canadians moving to Alberta in the latter part of 2007.

Despite the likelihood of a U.S. recession and turbulent global financial markets, Alberta's economic outlook remains positive. With continued solid growth in investment and employment, Alberta is expected to achieve healthy and sustainable economic growth averaging 3.2% from 2008 through 2011.

Fiscal Year Assumptions	2005-06 Actual	2006-07 Actual	2007-08	2008-09	2009-10	2010-11
Prices						
Crude Oil Price						
WTI (US$/bbl)	59.97	64.89	82.25[a]	78.00	74.00	72.00
Alberta Wellhead (Cdn$/bbl)[b]	59.50	63.34	72.40	69.97	68.24	66.34
Bitumen @ Edmonton (Cdn$/bbl)[c]	33.52	39.86	39.97	38.90	37.97	36.79
Natural Gas Price						
Alberta Reference Price (Cdn$/GJ)	8.29	5.94	5.88	6.75	6.40	6.25
Production						
Conventional crude oil (000's barrels/day)	562	534	520	506	490	477
Non-conventional crude oil (000's barrels/day)	1,019	1,201	1,354	1,671	2,002	2,300
Natural gas (billions of cubic feet)	5,272	5,271	5,110	4,915	4,794	4,713
Interest rates						
3-month Canada treasury bills (%)	2.98	4.14	3.84	2.50	3.75	4.00
10-year Canada bonds (%)	4.04	4.20	4.18	3.50	4.45	4.75
Exchange Rate (US¢/Cdn$)	83.9	87.9	97.1	98.8	96.0	96.0

Calendar Year Assumptions	2006 Actual	2007 Actual	2008	2009	2010	2011
Gross Domestic Product						
Nominal (millions of dollars)	240,026	259,590[d]	282,889	293,923	309,031	324,538
% change	8.0	8.2	9.0	3.9	5.1	5.0
Real (millions of 2002 dollars)	183,372	188,857[d]	194,302	200,086	206,311	214,049
% change	6.6	3.0	2.9	3.0	3.1	3.8
Other Indicators						
Employment (thousands)	1,871	1,959	2,014	2,054	2,086	2,120
% change	4.8	4.7	2.8	2.0	1.5	1.6
Unemployment rate (%)	3.4	3.5	3.6	3.8	4.1	4.2
Average weekly earnings (% change)	4.9	4.7	4.7	4.3	3.8	3.8
Personal income (% change)	12.0	10.7[d]	8.2	6.6	5.6	6.0
Corporate profits (% change)	-0.5	-3.6[d]	10.5	-6.1	-2.9	-0.6
Housing starts (number of units)	48,962	48,336	43,800	38,300	34,400	32,500
Alberta Consumer Price Index (% change)	3.9	5.0	3.4	2.5	2.2	2.2
Population (thousands)	3,371	3,474	3,542	3,611	3,678	3,742
% change	2.7	3.1	2.0	1.9	1.9	1.8

a The 2007-08 resource revenue forecast was prepared in early March and was based on a forecast oil price of US$80.72 per barrel.

b Refers to the average price per barrel of Alberta light, medium and heavy oil.

c The bitumen price is an estimate prepared by Alberta Energy of the price at Edmonton and is not an actual market price.

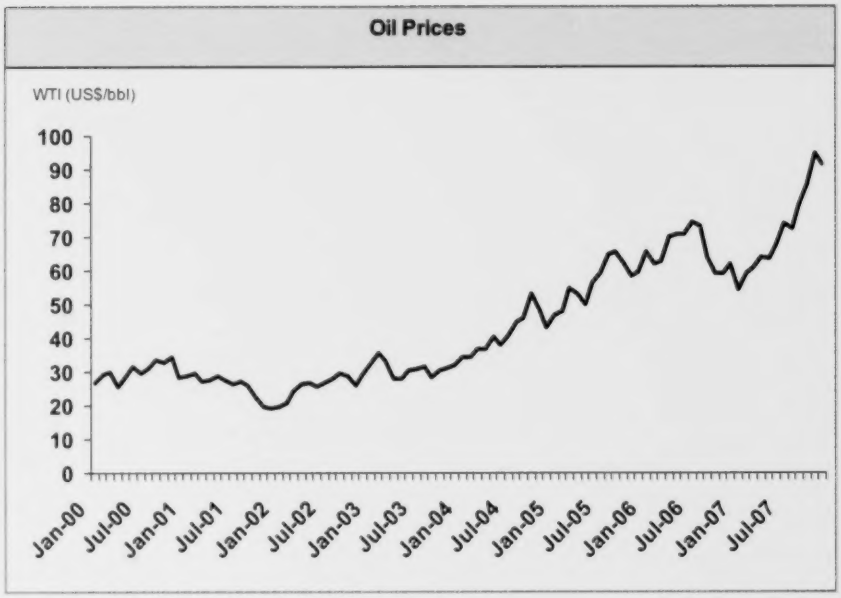
d Alberta Finance and Enterprise estimates.

2007 Review

- The Alberta economy enjoyed healthy real economic growth estimated at 3.0% in 2007, a more sustainable pace than the exceptional 6.6% growth recorded in 2006. Alberta outpaced the national economy for the fifth consecutive year.
- The Alberta economy continued to create jobs at a remarkable pace. In 2007, Alberta employment rose by almost 90,000 for a growth rate of 4.7%, contributing to an estimated 10.7% increase in total personal income.
- The effects of Alberta's prolonged economic boom were felt not only in continued strong economic and job growth, but also in increased costs, especially in the energy, housing and construction sectors.
- Alberta house prices reached new highs in 2007, with prices increasing by an average of almost 23%, following a 38% increase in 2006. The average price of an Alberta single-family dwelling reached $356,000, the second highest average among Canadian provinces.
- Due mainly to increased shelter costs, Alberta's CPI inflation rate increased from 3.9% in 2006 to 5.0% in 2007.
- Higher housing costs began to have an impact on the number of Canadians moving to Alberta. Although net interprovincial migration remained high in the first half of 2007, there was a net loss of 4,196 interprovincial migrants in the second half of the year, mostly to Saskatchewan and British Columbia.
- Alberta housing starts leveled off at just over 48,000 in 2007. This was only slightly below the record high of 48,962 starts in 2006. Significantly higher housing costs led to a slight dampening of demand in the final quarter of 2007.
- Alberta's retail sector experienced more moderate – but still strong – growth in 2007. Following a 15.6% gain in 2006, Alberta retail sales were up 9.0% in 2007.
- Energy markets were decidedly mixed in 2007. While world oil prices surged to a record high of almost US$100 per barrel (and averaged US$72.31), natural gas prices remained depressed in comparison, averaging Cdn$5.88 per gigajoule.
- Low natural gas prices had a significant effect on drilling activity in Alberta, which was down 35% compared to 2006. However, activity in Alberta's non-conventional energy sector remained robust, led by oil sands and related investments.

Record High Oil Prices

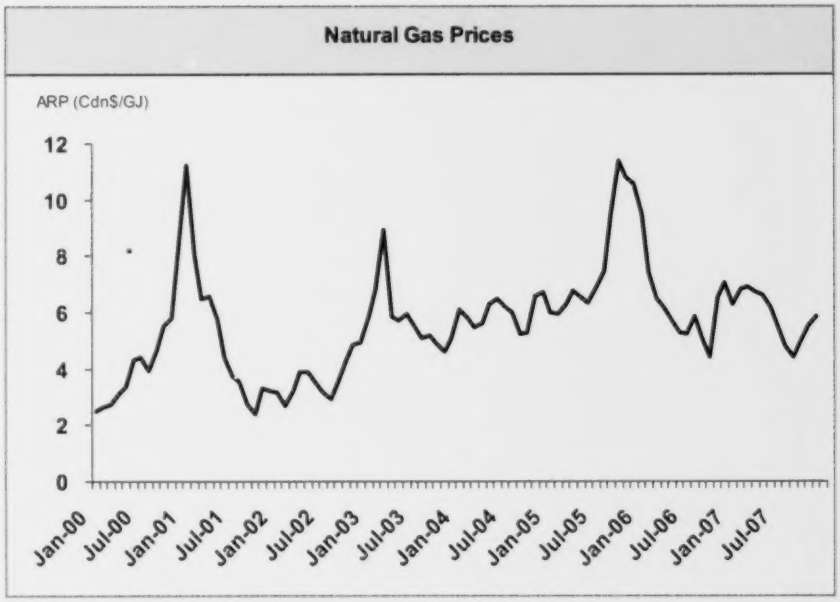
Oil prices approached the US$100 mark in 2007. Prices were supported by strong global demand and low oil inventories, as well as ongoing concerns regarding geopolitical risks. The strength of the Canadian dollar helped to mitigate the impact of high oil prices on the Canadian economy. Strong economic growth in emerging economies, particularly China and India, was a key factor supporting prices.



Source: Alberta Energy

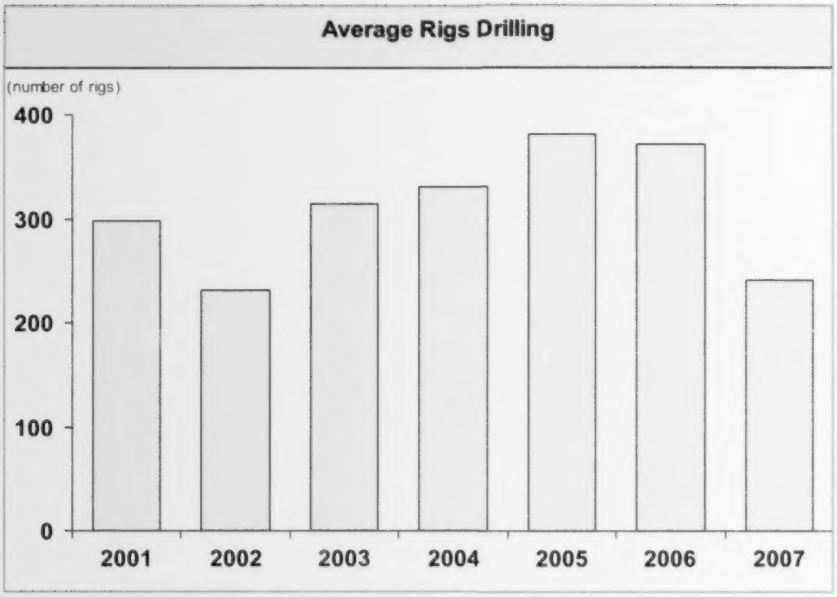
Natural Gas Prices Remain Flat

Despite strong global oil markets, natural gas prices in North America remained flat through most of 2007. U.S. natural gas inventories were at record highs and imports of liquefied natural gas to the United States were strong. The appreciation of the Canadian dollar also had a dampening effect on Alberta natural gas prices, since Alberta's natural gas exports are priced in U.S. dollars.



Source: Alberta Energy

Conventional Energy Activity Declines

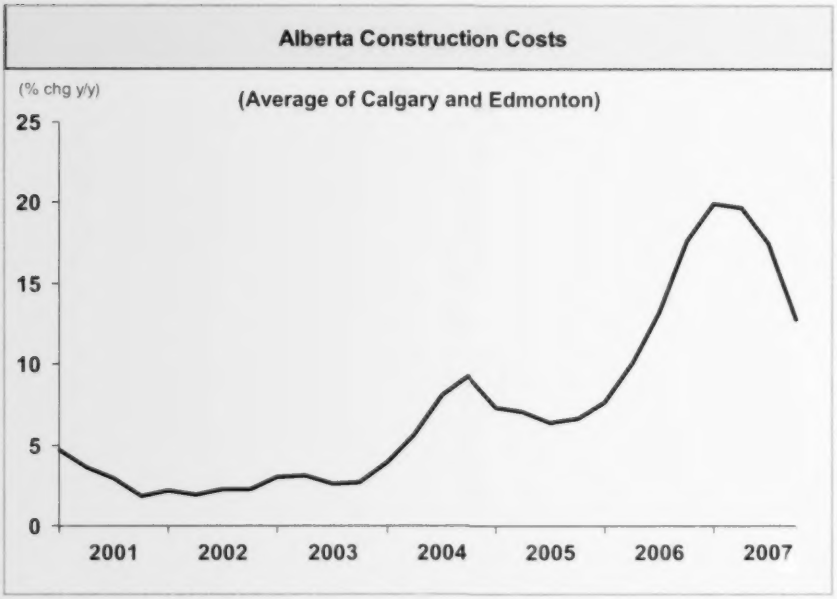


Source: Canadian Association of Oil Well Drilling Contractors

Weak natural gas prices were primarily responsible for a 35% decline in Alberta drilling activity in 2007. The rapid appreciation of the Canadian dollar and increased Alberta drilling costs also contributed to the drop-off in conventional energy sector activity.

However, activity in Alberta's non-conventional energy sector remained very strong, led by record levels of oil sands investment.

Construction Costs Continue to Rise



Source: Statistics Canada

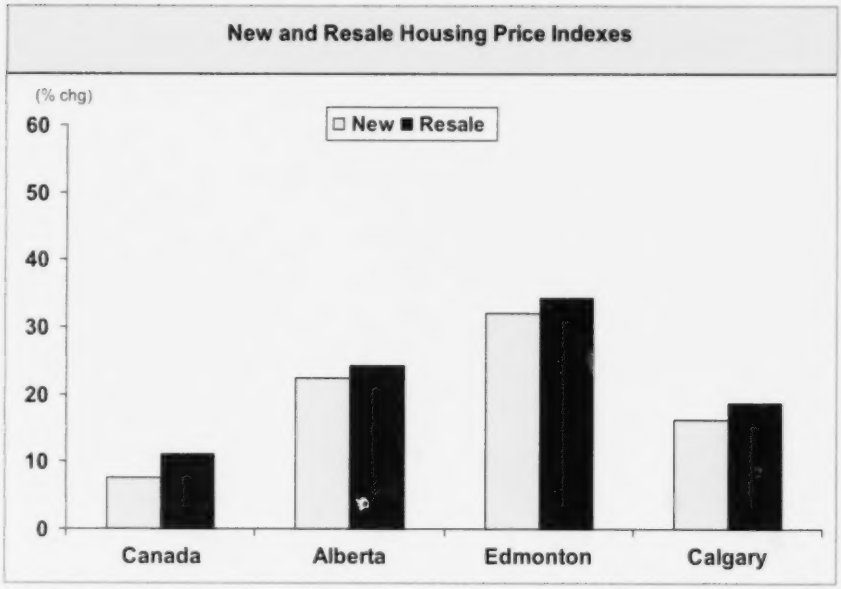
Rising prices for both materials and labour, fuelled in part by shortages of workers in Alberta's strong economy, pushed construction costs to new highs in 2007.

Construction costs increased by more than 17% in 2007, but eased to an annualized growth rate of less than 13% by the final quarter of the year.

Alberta House Prices Reach New Highs

The 2006 surge in Alberta house prices continued into the first half of 2007, fuelled in part by high levels of interprovincial migration.

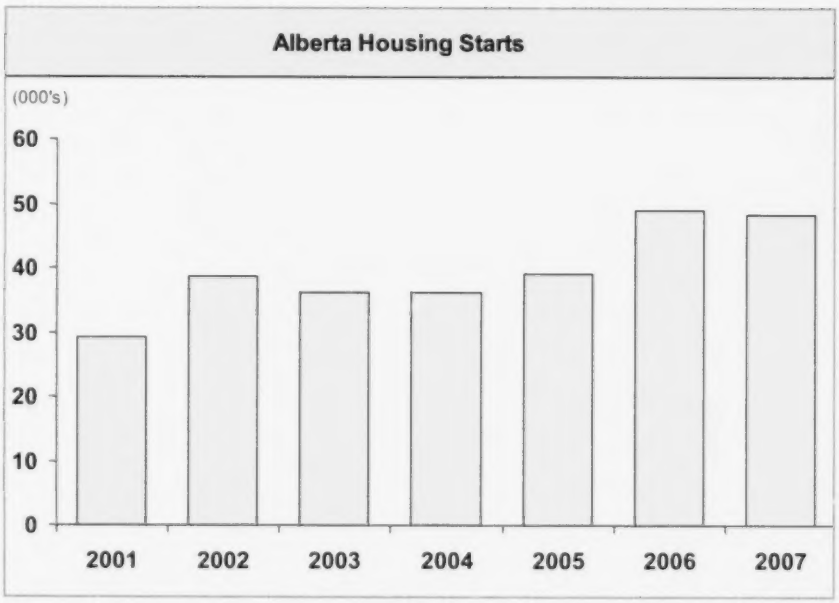
In the latter part of the year, house prices stabilized, as fewer Canadians moved to Alberta and increasing inventories led to a modest correction in the market. Nevertheless, Alberta's average house prices are now the second-highest in Canada, behind only British Columbia.



Source: Statistics Canada and Canadian Real Estate Association

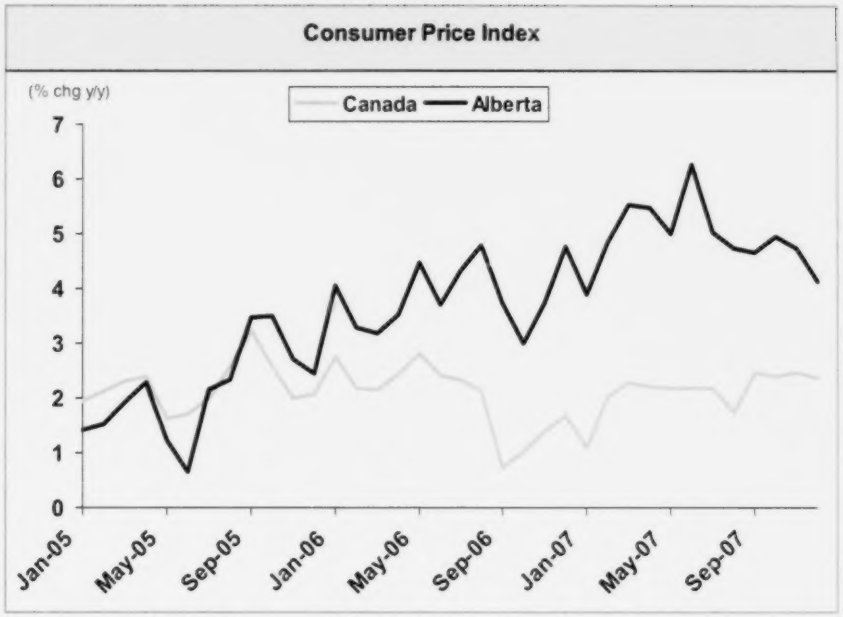
Housing Starts Level Off

After hitting an all-time high of almost 49,000 starts in 2006, new housing activity in Alberta leveled off in 2007. Homebuyers seeking less expensive alternatives helped fuel an increase in starts of multiple units. Increasing inventories of homes and higher prices contributed to a moderation in the pace of new housing activity in the final quarter of 2007.



Source: Canada Mortgage and Housing Corporation

Alberta Inflation Rises

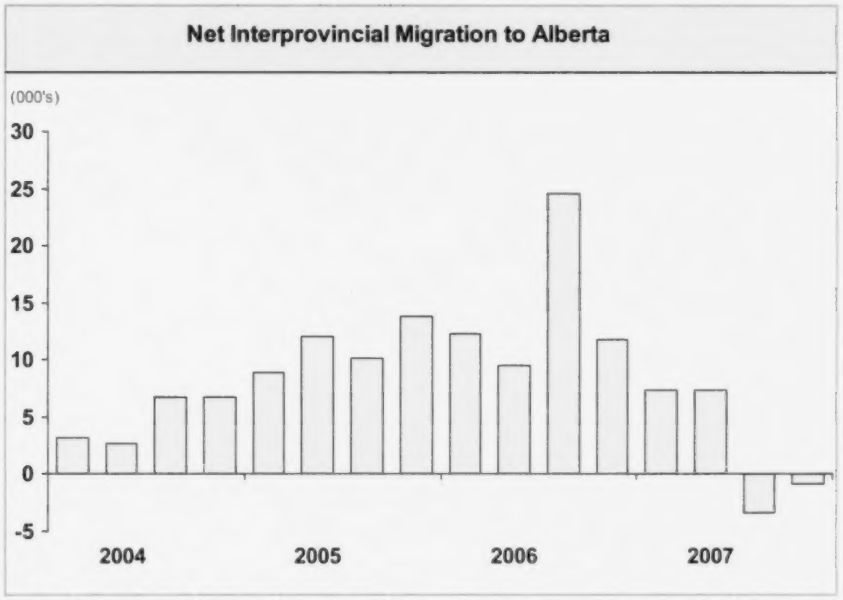


Source: Statistics Canada

Due mainly to large increases in housing costs, Alberta's inflation rate rose from 3.9% in 2006 to 5% in 2007. Alberta's 2007 inflation rate was the highest of any province, and more than twice the national inflation rate of 2.2%.

In the latter part of 2007, slower growth in shelter costs moderated Alberta's inflation rate. By December, Alberta's CPI inflation rate had fallen to 4.1%, down from a peak of 6.3% in June.

Interprovincial Migration Recedes from Record Highs



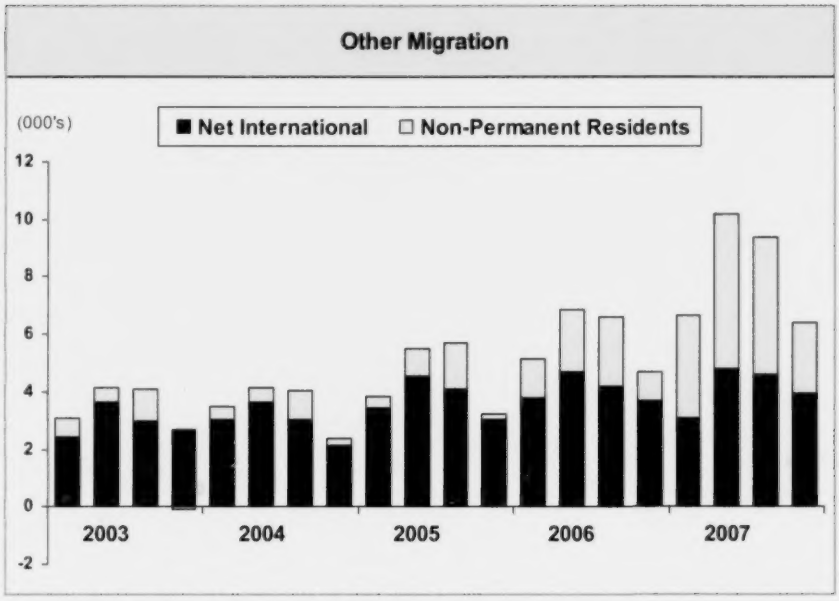
Source: Statistics Canada

After reaching a record high in the second half 2006, the pace of interprovincial migration began to moderate in 2007. In the last half of 2007, there was a net outflow from Alberta, particularly to Saskatchewan and British Columia due to improved economic conditions in those provinces, as well as higher Alberta housing costs.

Nevertheless, Alberta's overall population growth remained the highest in Canada, at 3.1% for the 2007 census year.

Migration from Abroad Increases

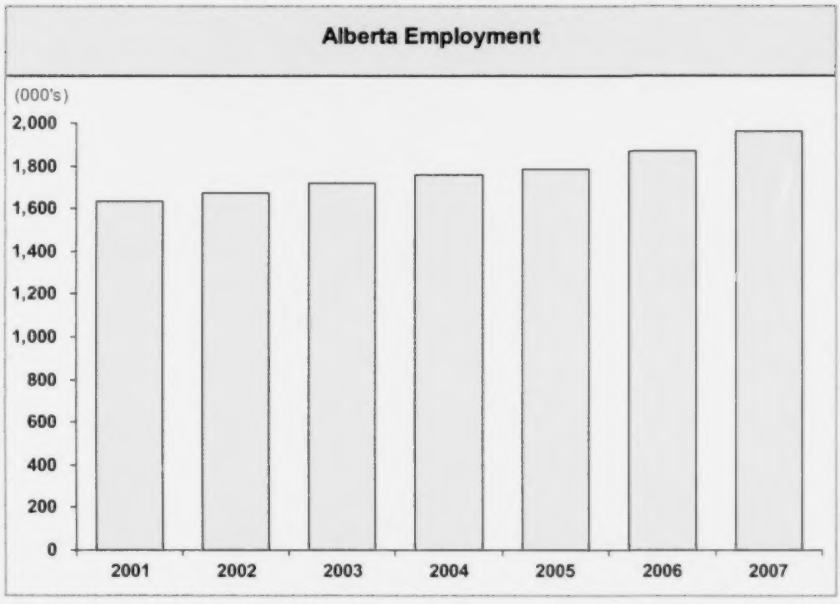
The slowing pace of interprovincial migration was partly offset by an increase in the numbers of persons moving to Alberta from abroad, either permanently or on a temporary basis. Largely in response to Alberta labour shortages, the number of permanent and non-permanent residents moving to Alberta from other countries rose by 40% in 2007.



Source: Statistics Canada

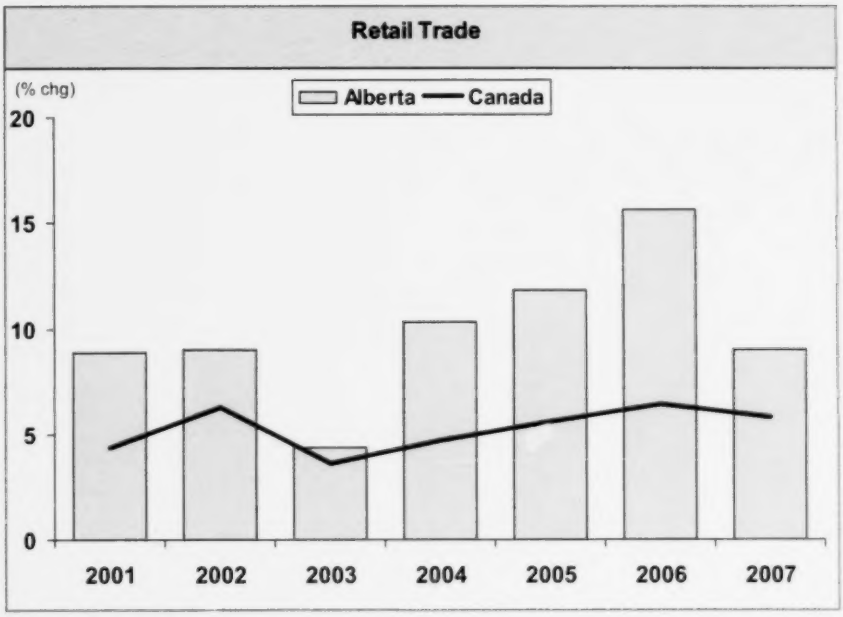
Employment Growth Remains Strong

In 2007, Alberta's economy continued to generate jobs at an impressive pace. Total employment increased by 88,700, for employment growth of 4.7% – easily the highest of any province, and more than double the national rate of 2.3%. Alberta's unemployment rate averaged 3.5%, the lowest among provinces for the fourth consecutive year.



Source: Statistics Canada

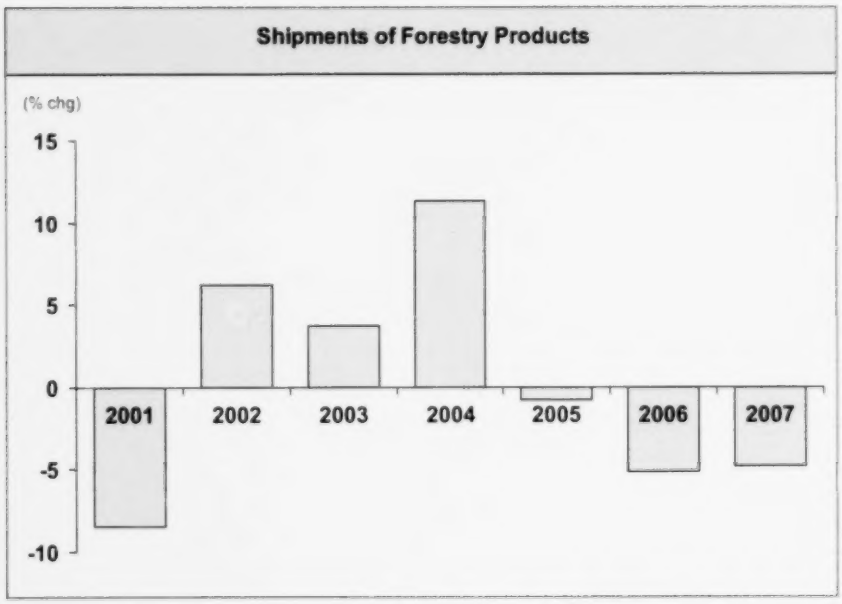
Retail Sector Sees Moderating Growth



Source: Statistics Canada

Alberta's retail sales activity moderated in 2007, but still recorded growth of 9%, well above the national growth rate of 5.8%. Alberta's average monthly retail sales of $1,466 per capita were 41% above the national average and 35% higher than second place Newfoundland and Labrador.

Forestry Sector Faces Continuing Challenges



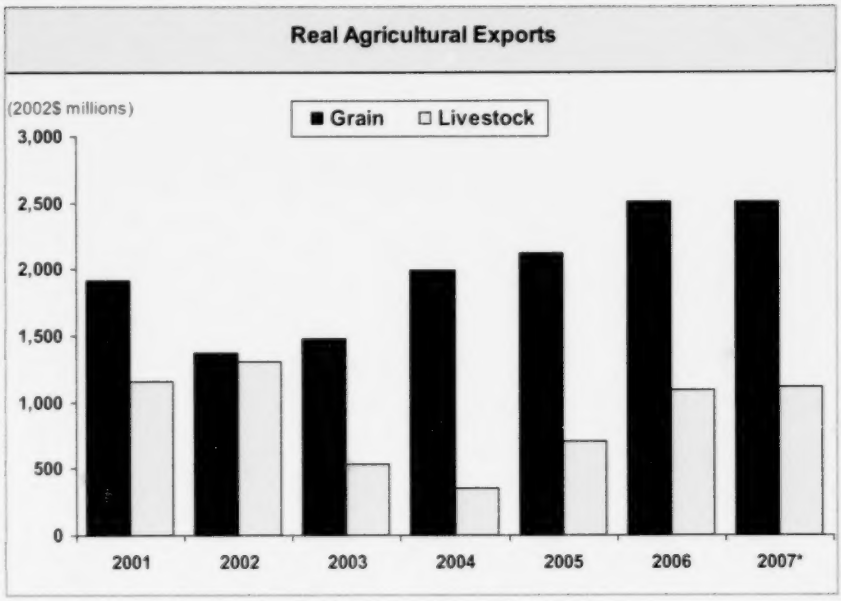
Source: Statistics Canada

Alberta's forestry industry experienced another difficult year in 2007. Total shipments declined for the third consecutive year, dropping by 4.8% as the high Canadian dollar and a significant downturn in the U.S. housing sector reduced demand for Alberta's lumber products. Paper shipments increased marginally and helped mitigate the decline in the forestry sector.

Grain and Livestock Exports Continue to Rise

Alberta grain producers benefitted from exceptionally strong world grain markets in 2007. Along with record-high world prices, Alberta grain export volumes were up for the fifth consecutive year.

The picture for the livestock sector was less favourable. While export volumes increased, weak animal prices and rising feedstock costs presented significant challenges for Alberta livestock producers.

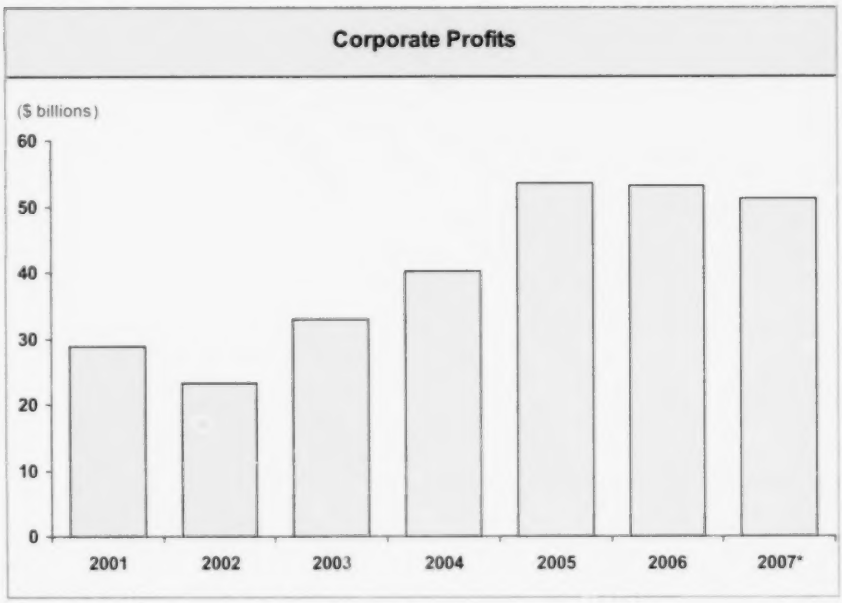


Source: Alberta Finance and Enterprise, estimate*

Corporate Profits Remain Near Record Levels

Corporate profits in Alberta's business sector more than doubled between 2002 and 2005. Profits have remained near record levels since 2005, due to high energy prices and the strength of the domestic economy.

Alberta accounted for approximately one quarter of the total business profits earned in Canada last year.



Source: Statistics Canada and Alberta Finance and Enterprise estimates*

Economic Outlook 2008 to 2011

GLOBAL GROWTH PICTURE MIXED

- Key economic indicators in the United States have deteriorated sharply since the beginning of 2008. The U.S. economy is likely already in recession as the slump in the housing market appears to be spreading to the broader economy. Central banks in North America and Europe have intervened to avoid systemic problems in financial markets. Nonetheless, the global economy has entered a period of unusually high uncertainty.
- The fall-out from the sub-prime mortgage debacle in the United States has also resulted in large write-downs by global financial institutions, which has restricted credit for many borrowers.
- Although U.S. economic growth is expected to drop to 1.2% in 2008, overall global economic growth is still expected to be around 4%, close to the long-term trend, because of the strength of emerging economies such as China, India and Russia. U.S. economic growth is expected to recover to 1.8% in 2009 and 3.0% in 2010 but the possibility of a deeper or more prolonged U.S. economic downturn remains a notable risk.
- Slower U.S. economic growth will have a negative impact on Canadian exports, particularly in conjunction with the rise in the value of the Canadian dollar. Canada's economic growth is expected to drop to 1.8% in 2008 before recovering to 2.2% in 2009 and 3% in 2010, as the U.S. economy picks up.
- There is a wide range of views about the future path of oil prices, given the uncertainties about the global economic outlook and the recent volatility in prices. The budget assumptions are within the range of private sector forecasts: US$78 in 2008-09, US$74 in 2009-10 and US$72 in 2010-11. The North American slowdown is expected to limit improvement in prices to Cdn$6.75/GJ; rising imports of liquefied natural gas are expected to further decrease prices to Cdn$6.25/GJ by 2010-11.

HEALTHY, SUSTAINED GROWTH FOR ALBERTA

- Despite the deterioration in the United States, high energy prices are expected to sustain Alberta's economic growth at a healthy and sustainable pace. Real GDP growth is forecast to be 2.9% in 2008, 3.0% in 2009, 3.1% in 2010 and 3.8% in 2011.
- Business investment, particularly in oil sands upgraders and pipelines, is expected to remain an important driver of growth and is unlikely to be strongly affected by developments in the United States given the expected strength in energy prices. Oil exports are also expected to grow rapidly as production from new oil sands projects comes on stream.
- The Alberta labour market is expected to remain exceptionally strong. 161,000 new jobs are forecast by 2011, and the unemployment rate is expected to average 3.9%. This will provide the foundation for continued strong growth in personal incomes.
- Slower interprovincial migration will lead to more moderate activity in Alberta's housing sector. Housing starts are expected to decline from their current near record level of around 48,000 per year to about 32,500 in 2011.
- A moderating housing sector should dampen inflationary pressures. Alberta's inflation rate is expected to slow to 3.4% in 2008, and 2.2% by 2010.

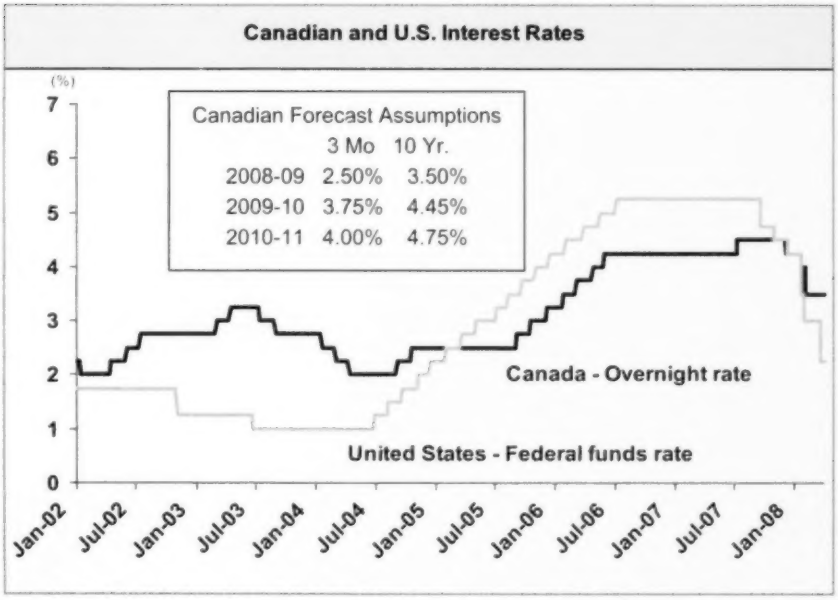
Downturn in U.S. Housing Leads to Global Credit Squeeze

The sharp correction in U.S. housing markets in 2007 created serious problems in mortgage markets, which resulted in major write-downs by global financial institutions and created liquidity problems in broader credit markets.

Source: U.S. Department of Housing and Urban Development

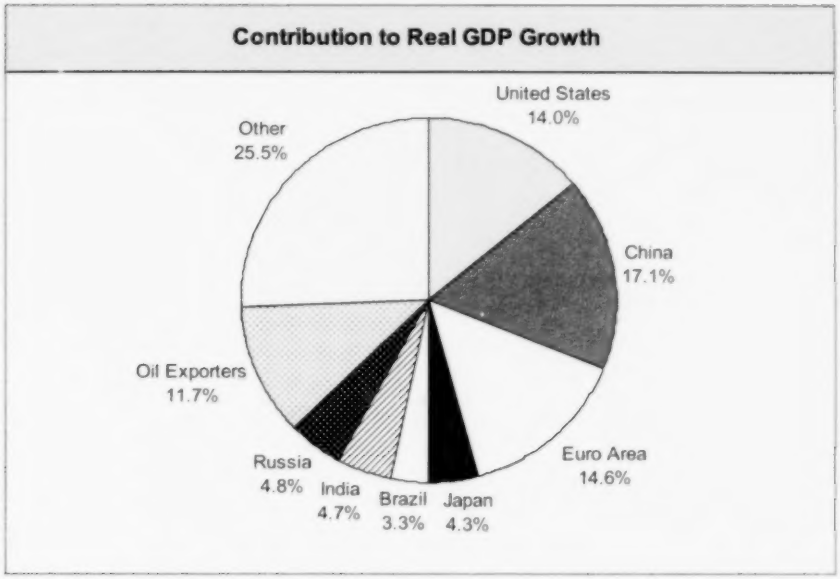
Central Banks Slash Interest Rates

A number of central banks in North America and Europe have reacted vigorously to ease the credit squeeze. The U.S. Federal Reserve Board has cut interest rates by 2 percentage points since the beginning of the year; further rate cuts are likely. The Bank of Canada has cut interest rates by 1 percentage point since early December, and is expected to lower interest rates further in 2008. Interest rates are expected to rise gradually in 2009 as economic growth strengthens.



Source: Bank of Canada, U.S. Federal Reserve Board and Alberta Finance and Enterprise

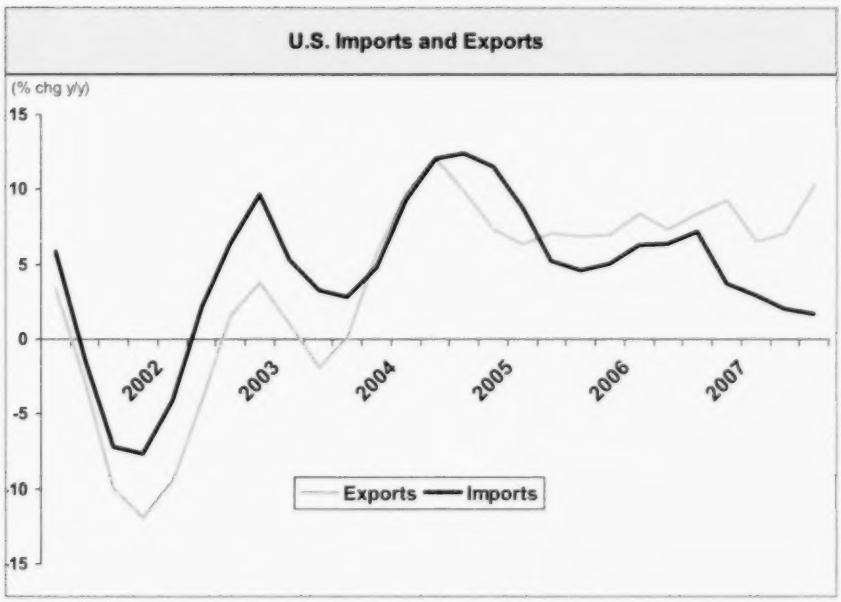
China Leading World Growth



Source: International Monetary Fund and various national statistical agencies

Despite the deterioration in the U.S. economic outlook, robust growth in China and other emerging economies is expected to support continued healthy global growth. In 2007, China overtook the United States as the largest contributor to global economic growth. Global growth is forecast at around 4% in 2008, down from an estimated 4.9% in 2007, but similar to its long-run trend.

U.S. Trade Sector Improving



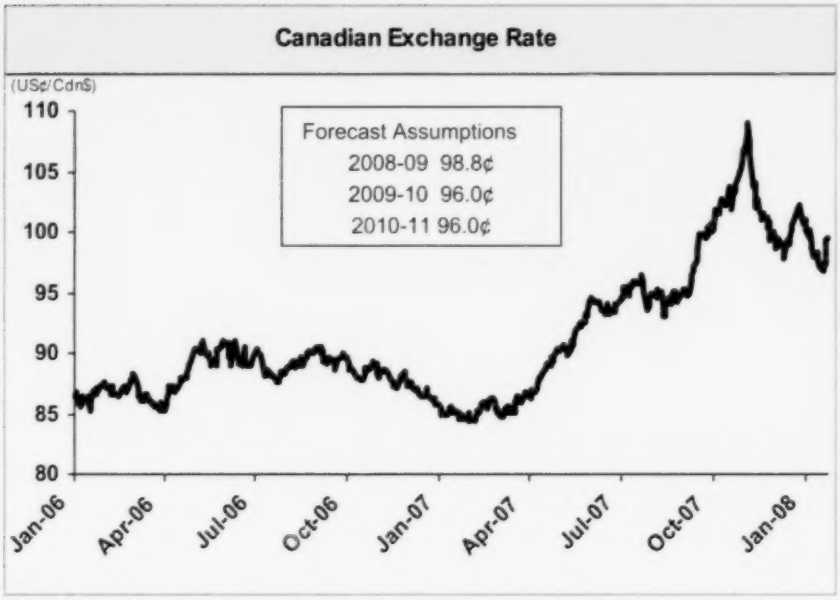
Source: U.S Bureau of Economic Analysis

Although the domestic outlook has deteriorated, the U.S. economy is benefitting from a surge in exports, fuelled by the combination of a strong global economy and a depreciating U.S. dollar. The improvement in the trade sector should help U.S. economic growth to recover from 1.2% in 2008 to 1.8% in 2009 and 3% in 2010.

Canadian Dollar to Remain Strong

U.S. dollar weakness and strength in commodity prices propelled the Canadian dollar to record highs in 2007, although the dollar has been subject to unusually large day-to-day fluctuations.

Despite an expected moderation in commodity prices, the Canadian dollar is expected to average about 97 U.S. cents over the forecast period due to Canada's enviable economic and fiscal fundamentals.

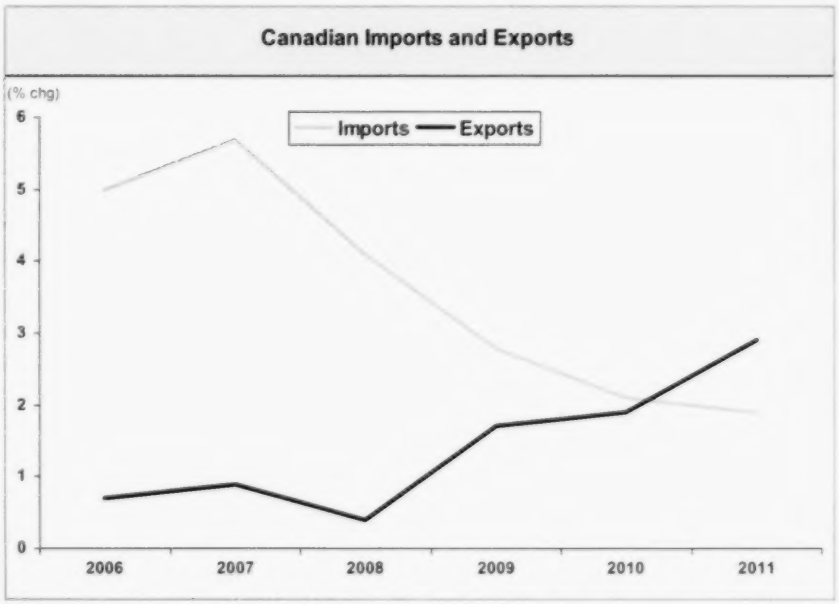


Source: Bank of Canada and Alberta Finance and Enterprise

Trade Sector Expected to Improve

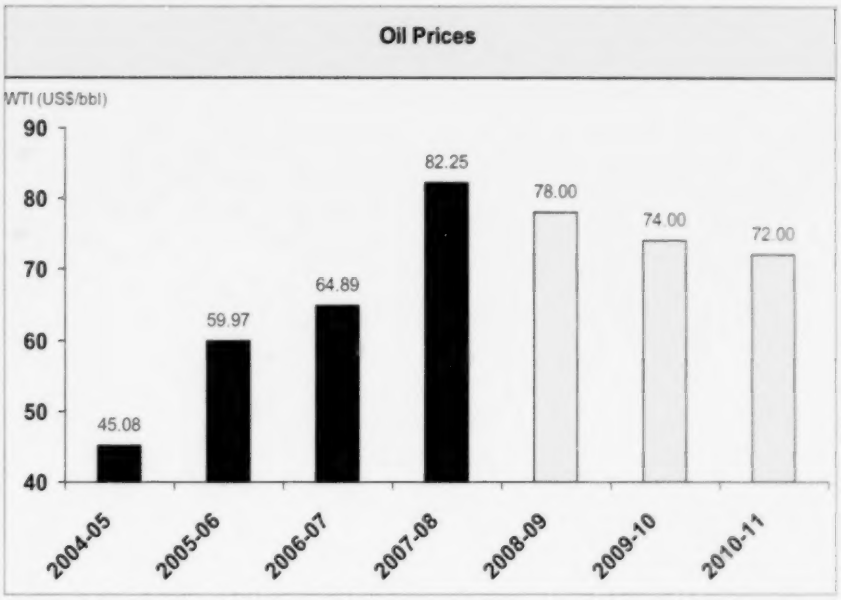
The high Canadian dollar is hurting Canada's international trade balance, due in large measure to relatively low growth in exports.

While Canada's domestic economy is expected to remain healthy, a declining trade balance is forecast to reduce national GDP growth to 1.8% in 2008. Growth is expected to be 2.2% in 2009 and 3% in 2010 as the U.S. economy picks up.



Source: Statistics Canada and Alberta Finance and Enterprise

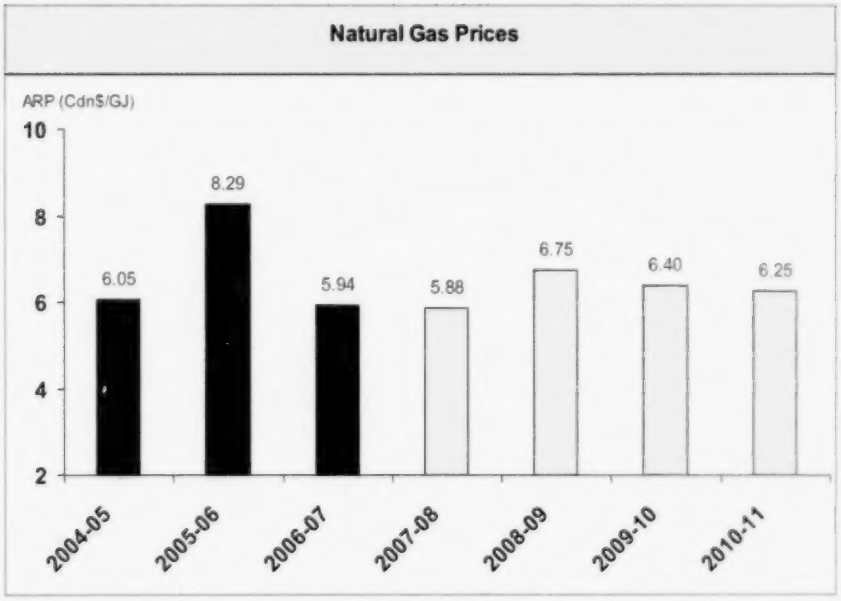
Oil Prices Expected to Moderate, but Remain High



Source: Alberta Energy

The outlook for oil prices is extremely uncertain, and there is a wide range of views in the private sector. Slower world economic growth, along with increases in oil supplies in response to record high prices, should exert a moderating influence but continued strong demand from emerging economies is likely to keep prices relatively high in historical terms. Prices are forecast to average US$78 in 2008-09, declining to US$72 by 2010-11, within the range of private sector forecasts.

Flat Outlook for Natural Gas Prices

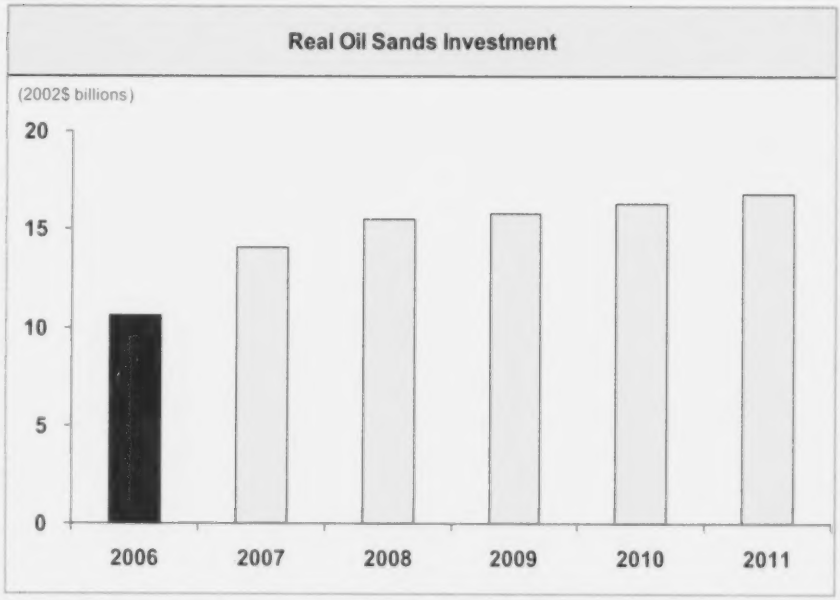


Source: Alberta Energy

The outlook for North American natural gas prices continues to be relatively flat. A slowing North American economy is expected to limit the recovery in prices in 2008 to Cdn$6.75/GJ. In the longer term, increases in North American imports of liquefied natural gas (LNG) are expected to reduce Alberta natural gas prices to Cdn$ 6.25 /GJ by 2010-11.

Oil Sands Investment to Remain High

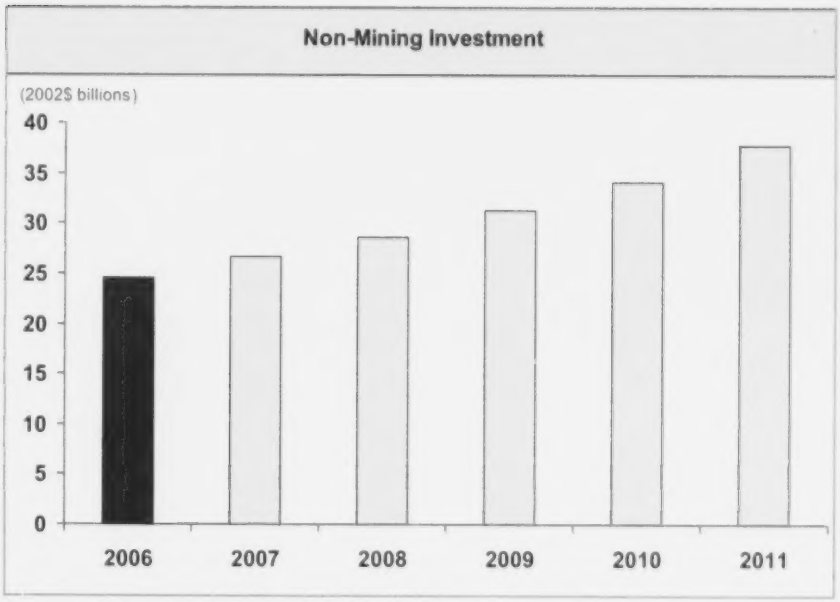
Investment in Alberta's oil sands is expected to remain exceptionally strong throughout the forecast period, averaging about $16 billion annually in real (inflation-adjusted) terms. At the same time, capacity constraints mean that direct oil sands investments will not provide the same impetus to economic growth as in recent years.



Source: Statistics Canada and Alberta Finance and Enterprise

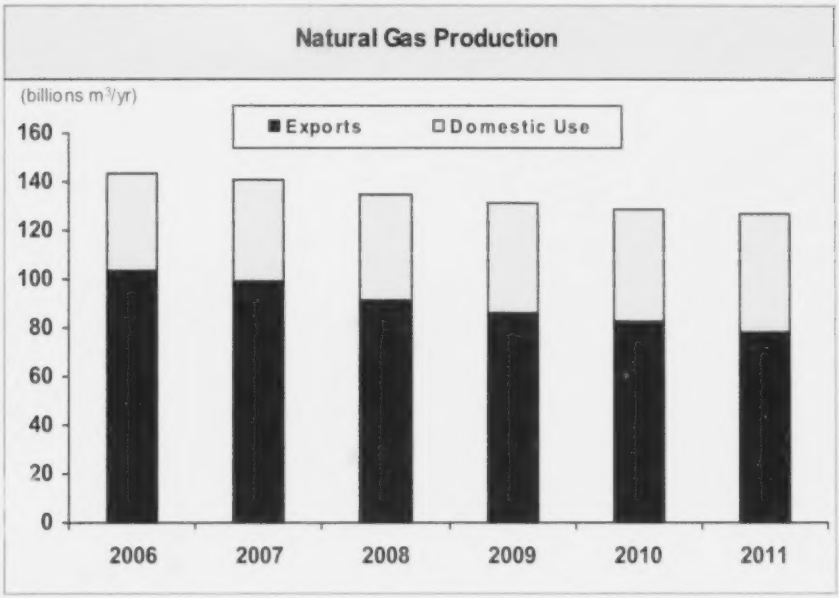
Upgrader and Pipeline Investment Increasing

Non-mining investment, which includes oil sands-related investments such as oil sands upgraders and pipelines, will be an increasingly important source of Alberta's economic growth. In real terms, Alberta non-mining investment is expected to increase by about 40% between 2007 and 2011, or about 10% per year on average.



Source: Statistics Canada and Alberta Finance and Enterprise

Declining Natural Gas Exports to Curtail Growth

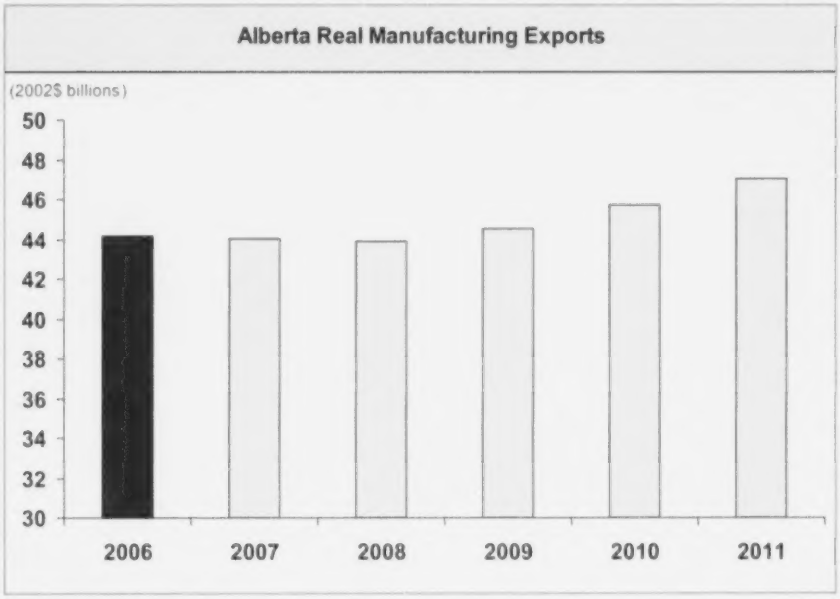


Source: Alberta Energy and Alberta Energy Resources Conservation Board

Strong growth in oil sands and related activities will be offset, to a significant degree, by the ongoing decline in the province's natural gas exports.

A combination of declining natural gas production and increased demand for natural gas within Alberta means that natural gas exports will decline by an average of 5.6% per year over the forecast period.

Manufacturing Faces Adjustments to High Dollar



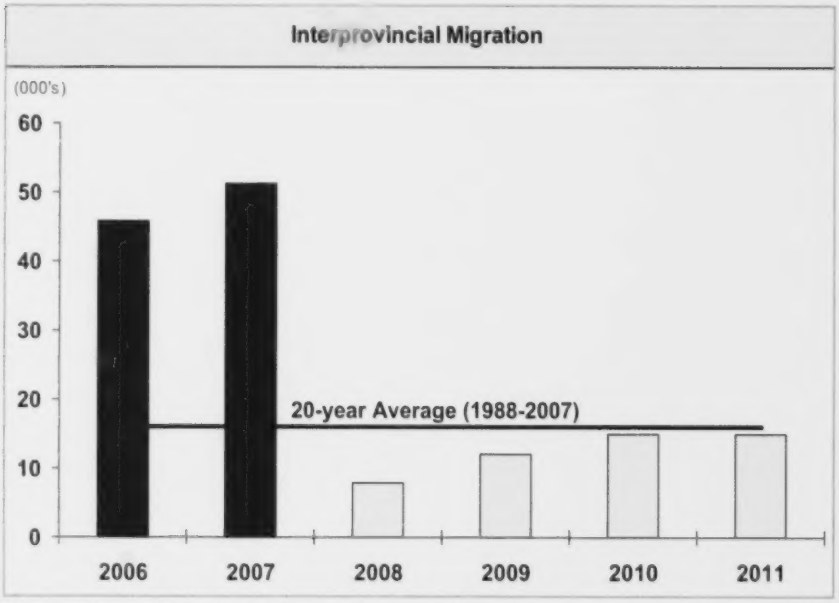
Source: Statistics Canada and Alberta Finance and Enterprise

Alberta's manufacturing sector is expected to experience continued yet modest growth, due mainly to the increased competitive challenges associated with the high Canadian dollar and slower U.S. economic growth, particularly in the short-term.

Real manufacturing exports are expected to increase by an average of 1.7% per year through 2011, or about half the expected growth rate of the Alberta economy.

Interprovincial Migration to Slow

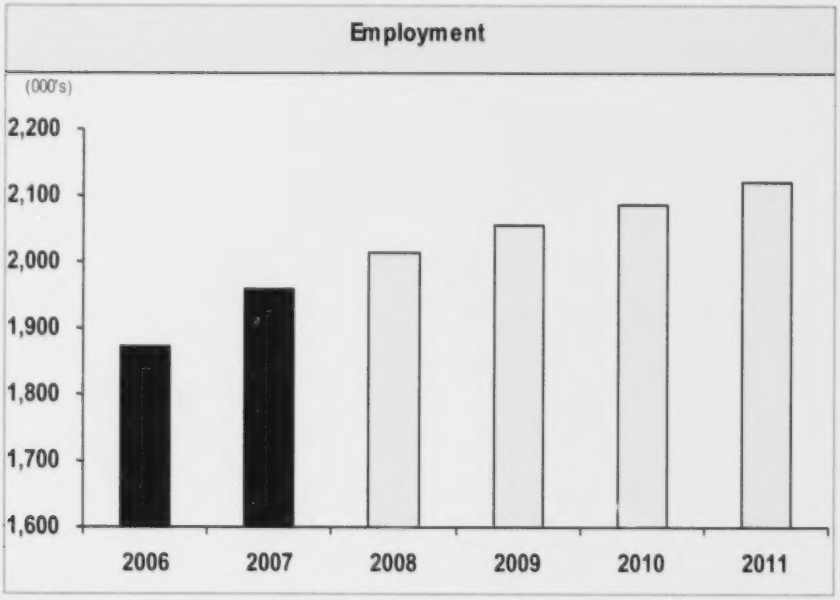
Following a decade of extraordinary growth, interprovincial migration to Alberta is expected to slow significantly in the short-term, and then move back towards its long-term average. Increasingly positive economic conditions in other western provinces, and Alberta's relatively high housing costs are the key factors that are expected to limit interprovincial migration.



Source: Statistics Canada and Alberta Finance and Enterprise

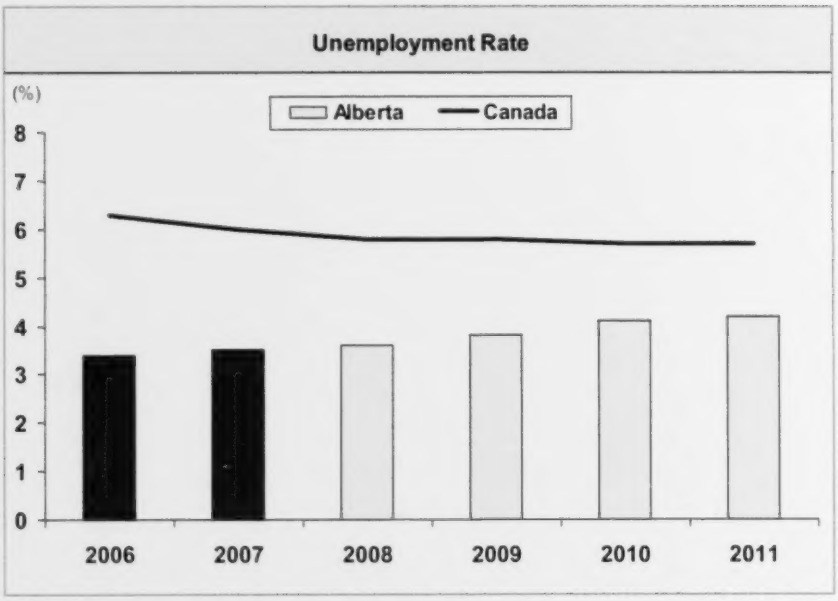
Alberta Employment Picture Remains Bright

Alberta's employment market is expected to remain vibrant. Over the 4-year forecast period, the economy is expected to generate another 161,000 jobs.



Source: Statistics Canada and Alberta Finance and Enterprise

Unemployment to Remain Near Record Lows

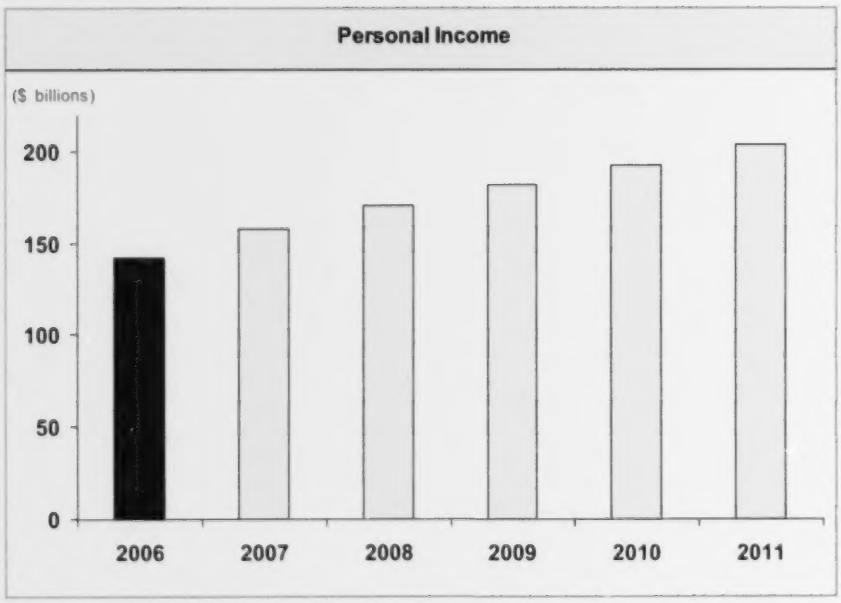


Source: Statistics Canada and Alberta Finance and Enterprise

Alberta is expected to remain effectively a "full-employment economy", with an unemployment rate averaging just 3.9% from 2008 through 2011.

As capacity constraints ease, growth in average hourly wages is expected to moderate from 6.0% in 2007 to 3.6% by 2011.

Solid Growth in Personal Incomes



Source: Statistics Canada and Alberta Finance and Enterprise

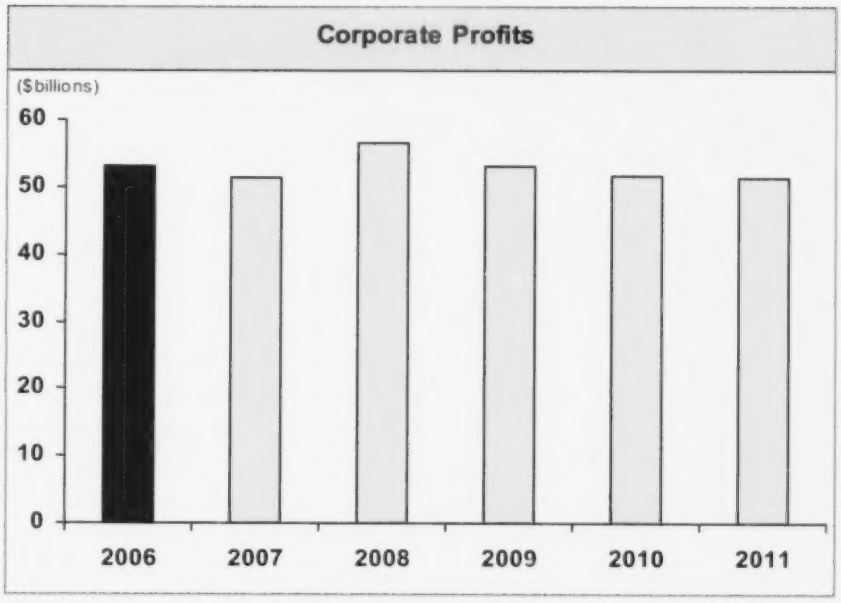
A healthy Alberta labour market is expected to ensure continued solid growth in Albertans' average personal incomes.

At the same time, annual growth in total personal income is expected to slow from an estimated 10.7% in 2007 to an average of 6.6% over the forecast period as wage and employment growth slow. This will moderate the growth of Alberta's personal income tax revenues.

Corporate Profits to Moderate from Record Highs

Although high oil prices are expected to raise corporate profits in 2008, they are expected to decline as energy prices recede, and margins are squeezed by the high dollar and high costs.

As a result, Alberta's corporate income tax revenues are expected to moderate from their current record levels.

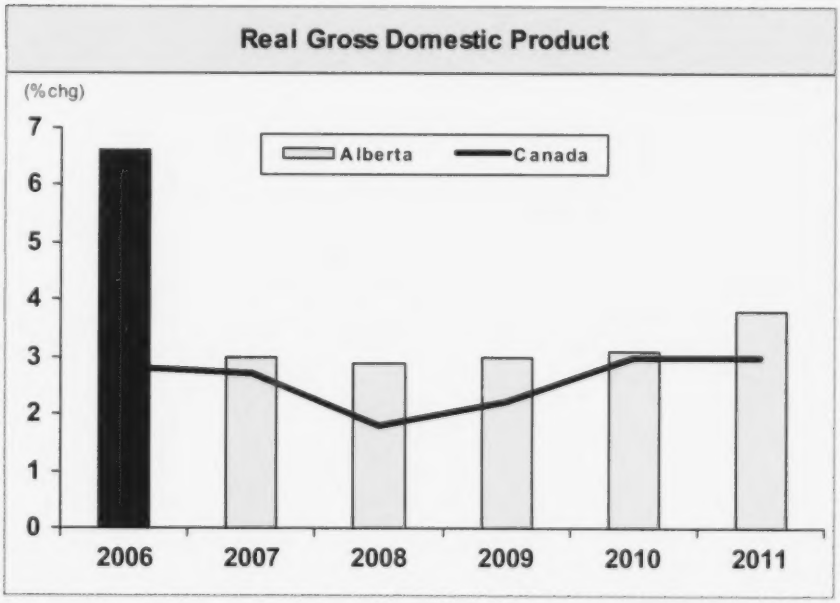


Source: Statistics Canada and Alberta Finance and Enterprise

Solid and Sustained Economic Growth for Alberta

Alberta's economic outlook remains healthy, with GDP growth expected to continue at a solid pace of about 3.2% per year through 2011.

Alberta's economic growth will continue to be driven by exceptionally high levels of investment, growing exports and solid employment growth.



Source: Statistics Canada and Alberta Finance and Enterprise

ANNEX
KEY ASSUMPTIONS AND BENCHMARKING

Risks to the Economic Outlook

FALLOUT FROM THE U.S. HOUSING AND CREDIT MARKETS

- The impact of the U.S. housing market on the sub-prime mortgage and broader credit markets represent a notable risk for both the U.S. and global economies. The United States appears to have already entered a recession although the extent and likely duration remains highly uncertain. The United States remains a key export market for Alberta, accounting for about 90% of our total international exports.
- The extent of "spill-over" effects from the sub-prime mortgage market to global credit and currency markets have not yet been fully determined. Significant currency fluctuations and liquidity crunches remain key risks.

CANADIAN DOLLAR

- Further increases in the Canadian dollar could have a significant negative effect on growth, curtailing exports, particularly in the manufacturing sector. A higher dollar also reduces the net revenues of energy producers, which could dampen investment. Since the new royalty regime effective January 1, 2009 is more price sensitive, the provincial revenue impacts of a one cent change in the Canadian dollar will increase from $210 million in 2008-09 to $292 million in 2009-10.

COST PRESSURES

- Greater than expected cost pressures could reduce economic growth. Government revenues could also be affected since high costs could reduce oil sands royalties and corporate income tax revenues, and higher inflation would reduce personal income taxes, which are indexed to inflation.

ENERGY

- Slower global economic growth suggests the potential for a significant decline in prices. Oil and natural gas prices could experience substantial declines if there is a prolonged downturn in the U.S. economy.
- Since Alberta's new royalty regime (effective January 1, 2009) is more price sensitive, the effects of energy price changes on Alberta's royalty revenues will also increase. The revenue impact of a $1 change in the price of oil will increase from $130 million in 2008-09 to $211 million in 2009-10. For natural gas, the revenue impact of a 10 cent change in the Alberta Reference Price will increase from $114 million in 2008-09 to $166 million in 2009-10.

Sensitivities to Fiscal Year Assumptions[a]

(millions of dollars)

	Change	Net Impact ($ millions)	
		2008-09	2009-10
Oil Price (WTI US$/bbl)	-$1.00	-130	-211
Natural Gas Price (Cdn$/GJ)	-10 cents	-114	-166
Exchange Rate (US¢/Cdn$)	+1 cent	-210	-292
Interest Rates	1%	-196	-196
Equity Market Value	-1%	-32	-32
Personal Income	-1%	-90	-99
Corporate Taxable Income	-1%	-78	-77

a Sensitivities are based on current assumptions of prices and rates and show the effect for a full 12 month period. Sensitivities can vary significantly at different price and rate levels. The energy price sensitivities do not include the potential impact of price changes on the revenue from land sales. The interest rate sensitivity has two components, an increase in cash interest income and a capital loss. When interest rates rise, bond prices go down, causing a capital loss.

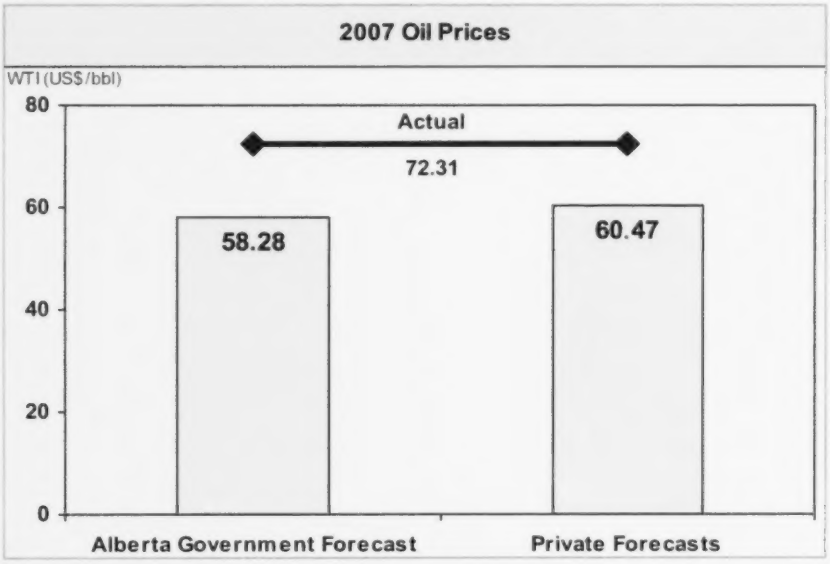
Oil Price Forecast Benchmark

West Texas Intermediate (US$/bbl)

Organization	2008	2009	2010	2011
National Forecasting Agencies				
Conference Board of Canada (Mar/08)	95.15	87.92	88.60	91.25
Global Insight (Mar/08)	91.36	76.75	74.02	73.42
Centre for Spatial Economics (Mar/08)	84.74	78.58	77.62	77.14
Investment Dealers				
CS First Boston (Mar/08)	90.00	90.00	90.00	90.00
Goldman Sachs (Mar/08)	95.00	105.00	110.00	110.00
JP Morgan (Mar/08)	90.50	80.00	n/a	n/a
Lehman Brothers (Mar/08)	76.00	81.00	86.00	91.00
Peters & Co Limited (Mar/08)	104.27	101.50	99.90	99.96
RBC Capital Markets (Mar/08)	97.57	96.00	95.20	95.18
Industry Analysts				
Canadian Energy Research Institute (Feb/08)	83.25	n/a	n/a	n/a
U.S. Energy Information Administration (Mar/08)	94.11	85.92	n/a	n/a
GLJ Petroleum Consultants (Jan/08)	92.00	88.00	84.00	82.00
Sproule Associates Limited (Feb/08)	91.58	89.01	87.85	80.94
Confidential Forecasts Provided to Alberta Energy[a]				
Average	85.30	77.61	70.00	72.00
High	104.27	105.00	110.00	110.00
Low	73.65	64.50	66.00	70.00
Average of All Private Forecasts	**88.95**	**85.16**	**86.10**	**86.24**
Alberta Government (calendar year)	**81.84**	**75.00**	**72.10**	**71.25**

a Alberta Energy also surveys, on a confidential basis, private forecasts from PIRA, KBC, Petral, Purvin & Gertz, Groppe Long & Littell, CGES, Ross Smith Energy and Wood Mackenzie. The annual figures presented are the average forecast prices from these sources. Includes forecasts finalized on or before March 20th, 2008.

How Oil Price Forecasters Did in Budget 2007



Both the Alberta government and the private sector underestimated oil prices last year by a wide margin.

Source: Alberta Finance and Enterprise and Alberta Energy

Natural Gas Price Forecast Benchmark

Henry Hub (US$/MMBTU)[a]

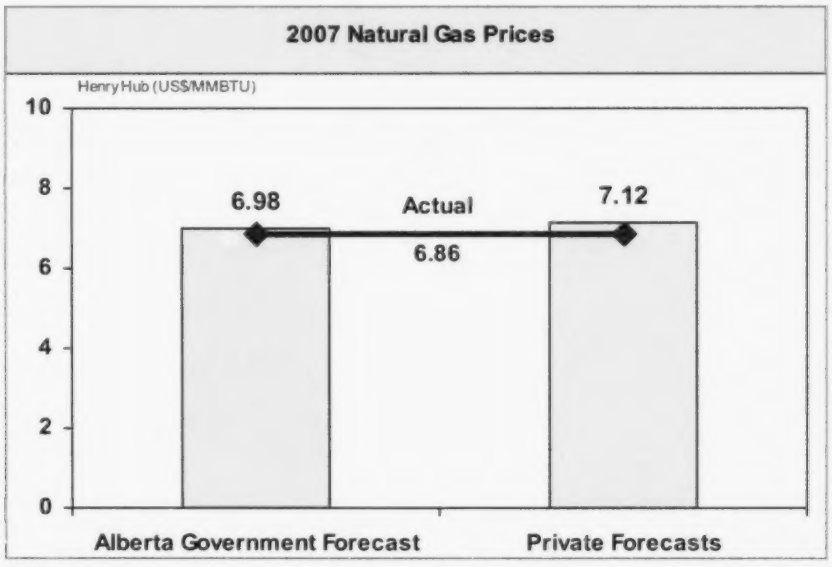
Organization	2008	2009	2010	2011
National Forecasting Agencies				
Global Insight (March/08)	8.06	8.53	8.75	8.63
Centre for Spatial Economics (Mar/08)	7.55	7.45	7.08	6.85
Investment Dealers				
National Bank Financial (Mar/08)	8.00	8.00	8.00	8.00
Peters & Co Limited (Mar/08)	9.91	9.76	9.27	9.19
RBC Capital Markets (Mar/08)	9.53	9.51	9.19	9.14
Industry Analysts				
U.S. Energy Information Administration (Mar/08)	8.18	7.95	n/a	n/a
GLJ Petroleum Consultants (Jan/08)	7.50	8.25	8.25	8.25
Sproule Associates Limited (Feb/08)	8.60	8.78	8.55	8.59
Confidential Forecasts Provided to Alberta Energy[b]				
Average	8.37	7.73	6.67	6.70
High	9.91	9.76	9.27	9.19
Low	7.50	6.80	6.33	6.26
Average of All Private Forecasts	**8.40**	**8.22**	**7.91**	**7.87**
Alberta Government (calendar year)	**8.17**	**7.71**	**7.42**	**7.21**

a The natural gas price is the US price of gas at Henry Hub Louisiana, as this is the benchmark for natural gas prices in the rest of North America. The Alberta government forecast in the table above is the US Henry Hub price, and is based on the Alberta Reference Price used in natural gas royalty calculations, adjusted for the exchange rate and transportation costs. Includes forecasts finalized on or before March 20th, 2008.

b Alberta Energy also surveys, on a confidential basis, private forecasts from the following forecasters: PIRA, Ross Smith Energy, Petral, CERA and Wood Mackenzie. The annual figures presented are the average forecast prices from these sources.

How Natural Gas Price Forecasters Did in Budget 2007

Both the Alberta government and the private sector accurately forecast natural gas prices in Budget 2007.



Source: Alberta Finance and Enterprise and Alberta Energy

Alberta's Real GDP Growth Benchmark

(per cent change)

Organization	2008	2009	2010	2011
National Forecasting Agencies				
Conference Board of Canada (Mar/08)	3.3	3.3	3.7	3.8
Global Insight (Mar/08)	3.0	3.2	3.1	3.2
Centre for Spatial Economics (Jan/08)	2.3	3.2	3.1	3.9
Banks				
Bank of Montreal (Jan/08)	2.8	2.7	n/a	n/a
CIBC World Markets (Feb/08)	3.0	2.7	n/a	n/a
RBC Royal Bank (Feb/08)	3.5	3.2	n/a	n/a
Scotiabank (Mar/08)	2.8	3.1	3.0	3.0
Toronto Dominion Bank (Mar/08)	2.1	2.8	n/a	n/a
Other				
Canada Mortgage and Housing Corporation (Feb/08)	3.2	3.0	n/a	n/a
High	3.5	3.3	3.7	3.9
Low	2.1	2.7	3.0	3.0
Average	2.9	3.0	3.2	3.5
Alberta Government (calendar year)	**2.9**	**3.0**	**3.1**	**3.8**

Canada/United States Exchange Rate Benchmark

(US¢/Cdn$)

Organization	2008	2009	2010	2011
National Forecasting Agencies				
Conference Board of Canada (Mar/08)	99.6	99.0	98.1	97.0
Global Insight (March/08)	98.5	97.0	96.6	95.7
Centre for Spatial Economics (Mar/08)	102.8	102.7	100.0	95.8
Banks				
Bank of Montreal (Mar/08)	99.0	95.9	n/a	n/a
CIBC World Markets (Mar/08)	102.4	n/a	n/a	n/a
RBC Royal Bank (Mar/08)	96.2	n/a	n/a	n/a
Scotiabank (Mar/08)	102.0	103.0	102.0	102.0
Toronto Dominion Bank (Mar/08)	97.3	93.5	n/a	n/a
High	102.8	103.0	102.0	102.0
Low	96.2	93.5	96.6	95.7
Average	99.7	98.5	99.2	97.6
Alberta Government (calendar year)	**99.2**	**96.5**	**96.0**	**96.0**

Canadian Short Term Interest Rate Benchmark

3-month Government of Canada Treasury Bills (per cent)

Organization	2008	2009	2010	2011
National Forecasting Agencies				
Conference Board of Canada (Mar/08)	3.17	3.56	4.62	4.61
Global Insight (Mar/08)	3.20	3.62	4.38	5.00
Centre for Spatial Economics (Mar/08)	3.76	3.73	3.76	4.28
Banks				
Bank of Montreal (Mar/08)	2.52	3.28	n/a	n/a
CIBC World Markets (Mar/08)	2.19	2.70	n/a	n/a
RBC Royal Bank (Mar/08)	2.70	3.50	n/a	n/a
Scotiabank (Mar/08)	1.65	2.45	4.00	4.00
Toronto Dominion Bank (Mar/08)	1.91	2.53	n/a	n/a
High	3.76	3.73	4.62	5.00
Low	1.65	2.45	3.76	4.00
Average	2.64	3.17	4.19	4.47
Alberta Government (calendar year)	**2.50**	**3.50**	**4.00**	**4.00**

Canadian Long Term Interest Rate Benchmark

10-Year Government of Canada Bonds (per cent)

Organization	2008	2009	2010	2011
National Forecasting Agencies				
Conference Board of Canada (Mar/08)[a]	4.15	4.49	5.19	5.48
Global Insight (Mar/08)	3.41	3.97	5.30	5.52
Centre for Spatial Economics (Mar/08)	4.10	4.38	4.56	4.96
Banks				
Bank of Montreal (Mar/08)	3.47	3.86	n/a	n/a
CIBC World Markets (Mar/08)	3.48	3.80	n/a	n/a
RBC Royal Bank (Mar/08)	3.75	4.45	n/a	n/a
Scotiabank (Mar/08)	3.50	4.20	4.80	4.80
Toronto Dominion Bank (Mar/08)	3.58	3.83	n/a	n/a
High	4.15	4.49	5.30	5.52
Low	3.41	3.80	4.56	4.80
Average	3.68	4.12	4.96	5.19
Alberta Government (calendar year)	**3.50**	**4.25**	**4.75**	**4.75**

[a] Encompasses all bonds 10 years or greater

Alberta Personal Income Benchmark

(per cent change)

	2008	2009	2010	2011
Organization				
Conference Board of Canada (Mar/08)	5.7	5.1	5.2	5.2
Global Insight (Mar/08)	4.0	5.3	4.9	4.6
Centre for Spatial Economics (Jan/08)	6.6	6.0	5.8	5.6
Scotiabank (Mar/08)	6.5	6.0	5.5	5.5
Toronto Dominion Bank (Jan/08)	6.1	6.7	5.5	5.2
Average	5.8	5.8	5.4	5.2
Alberta Government (calendar year)	**8.2**	**6.6**	**5.6**	**6.0**

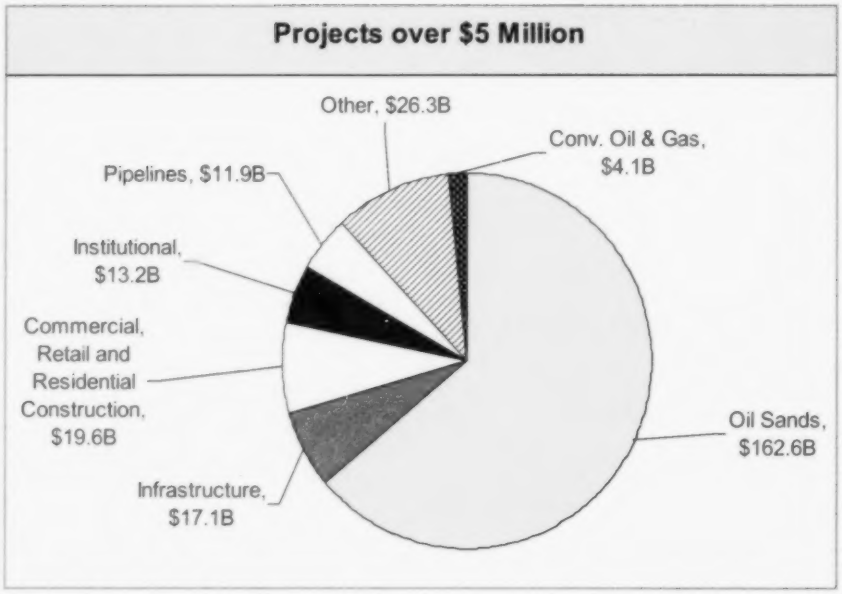
Alberta Corporate Profits Benchmark

(per cent change)

	2008	2009	2010	2011
Organization				
Conference Board of Canada (Mar/08)	8.4	6.6	6.7	4.9
Global Insight (Mar/08)	4.9	6.2	3.8	3.9
Centre for Spatial Economics (Jan/08)	9.2	3.6	0.8	4.5
Average	7.5	5.5	3.8	4.4
Alberta Government (calendar year)	**10.5**	**-6.1**	**-2.9**	**-0.6**

Almost $255 Billion in Major Projects

Major projects valued at $5 million or greater that are planned, underway or have recently been completed.



Source: Alberta Finance and Enterprise

Announced Major Projects Over $2.5 Billion*

Announced or Under Construction

Company Name	Location	Type of Project	Cost ($billions)	Timing
Petro - Canada Oil Sands / UTS Energy Corp. / Teck Cominco	RM of Wood Buffalo / Sturgeon County	'Fort Hills' Oil Sands Project and Upgrader, Phase 1	15.2	2007-2012
Suncor Energy Inc.	RM of Wood Buffalo	'Voyageur' Oil Sands Third Upgrader	11.6	2007-2011
Suncor Energy Inc.	RM of Wood Buffalo	'Firebag' Oil Sands Project, Stages 3 to 6	9.0	2006-2011
Canadian Natural Resources Ltd.	RM of Wood Buffalo	'Project Horizon' Mining and Drilling Project, Phase 1	7.75	2005-2008
OPTI Canada Inc. / Nexen Inc.	RM of Wood Buffalo	'Long Lake' SAGD Heavy Oil Project, Phase 1	6.1	2004-2008
Albian Sands Energy Ltd. (Shell Canada / Chevron Canada / Marathon Oil Corp.)	Strathcona County	Scotford Upgrader Expansion for Alberta Oil Sands Project	5.6	2006-2010
Albian Sands Energy Ltd.	RM of Wood Buffalo	Muskeg River Mine Expansion	5.0	2007-2010
SynEnCo Energy Inc. / SinoCanada Petroleum Corp.	RM of Wood Buffalo	'Northern Lights' Oil Sands Mine and Extraction Plant, Phases 1 and 2	4.4	2007-2010
North West Upgrading Inc.	Sturgeon County	Bitumen Upgrader, Phase 1	4.2	2007-2011
Canadian Natural Resources Ltd.	RM of Wood Buffalo	'Project Horizon' Mining and Drilling Project, Phases 2 and 3	3.1	2007-2013
Husky Energy Inc. / BP Plc.	RM of Wood Buffalo	'Sunrise Thermal Project' SAGD Oil Sands Project, Phase 1	3.0	2007-2012

* See www.alberta-canada.com/statpub/AlbertaConstructionProjects for a list of major projects valued at $5 million or greater.

ALBERTA TAX ADVANTAGE

ALBERTA TAX ADVANTAGE

Budget 2008
THE RIGHT PLAN FOR
TODAY & TOMORROW

Alberta Tax Advantage
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Alberta Tax Advantage

BUDGET 2008 INITIATIVES

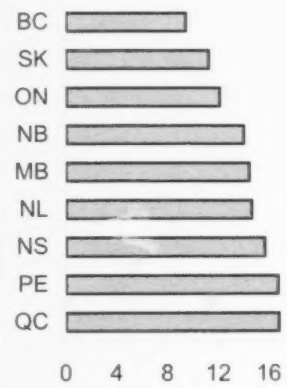
- *Health care insurance premiums will be eliminated on January 1, 2009.*
- *Benefits under the Alberta Family Employment Tax Credit will be increased by 10%.*
- *Caregiver, infirm dependant and disability credits will be significantly enhanced.*
- *A new 10% provincial credit for scientific research and experimental development starts in 2009.*
- *As scheduled, the small business income threshold was increased to $460,000 on April 1, 2008.*
- *Education property tax rates will fall by about 10.6% to offset inflationary increases in property values.*

INTRODUCTION

With this budget, the government is significantly improving Alberta's tax advantage. Health care insurance premiums will be eliminated entirely on January 1, 2009, saving Albertans and Alberta businesses about $1 billion each year. Albertans will also benefit from enhancements to the Alberta Family Employment Tax Credit and caregiver and disability credits. Businesses will be able to take advantage of a new credit for research and development.

This government is committed to ensuring Albertans continue to pay the lowest taxes of any province. Right now, if Albertans and Alberta businesses were in any other province, they would pay at least $9.5 billion more in taxes. In January 2009, the gap will widen when premiums are eliminated and the credit for research and development comes into effect.

Alberta's Tax Advantage, 2008
($ billions)



This chart represents the additional taxes Albertans and Alberta businesses would pay if Alberta had the same tax systems as other provinces. It does not include the impact of eliminating premiums.

PERSONAL TAXES AND PREMIUMS

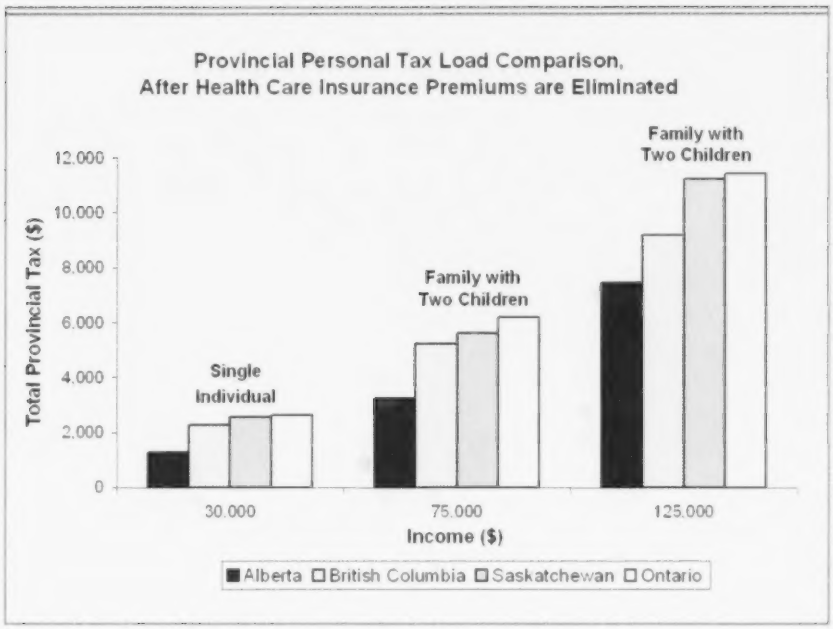
HEALTH CARE INSURANCE PREMIUMS - ELIMINATED!

Health care insurance premiums will be eliminated entirely on January 1, 2009. This means that about $1 billion will be left with individual Albertans and Alberta businesses each year. This is a significant savings, roughly equal to a 12% reduction in personal income taxes.

Seniors were exempted from paying premiums in 2004 and Albertans below a certain income threshold have their premiums either fully or partially subsidized. Now all Albertans will be free from paying premiums. This is especially important for those lower income Albertans just above that threshold who still pay premiums. Because the premium is a flat amount, it forms a larger portion of their combined tax and premium bill.

Albertans and Alberta businesses will save $1 billion each year once premiums are eliminated.

Eliminating premiums will benefit Alberta families by up to $1,056 each year. Single Albertans will benefit by as much as $528. Because an employer-paid



Premium elimination means that a two-income family earning $40,000 will have their provincial tax and premium bill reduced by as much as 80%.

premium is a taxable benefit, many individuals will also pay less in federal and provincial income taxes. In general, Alberta businesses that pay premiums on behalf of employees as part of a benefit package will experience an immediate gain. It is difficult to determine how the benefits will be divided between employees and employers in these situations over time.

Ending premiums enhances Alberta's tax advantage in comparison to other provinces. Eliminating premiums means that Alberta's tax system is even more competitive and equitable. Ontario and British Columbia are now the only provinces that levy premiums.

The elimination of premiums will not affect funding for health care.

A single person earning $20,000 will have their provincial tax and premium bill reduced by as much as 46%.

The government will continue to require health registration to provide access to insured health care services. Currently, many Albertans are registered in the health care system by their employers, using the same process that employers use to remit premiums on their employees' behalf. Until a new registration process is developed, employers will be asked to continue to register their employees. The Ministry of Health and Wellness will soon communicate with employers regarding this process.

Until premiums are eliminated on January 1, 2009, Albertans are still responsible for paying premiums, as before. The government monitors the collection of outstanding premiums closely. Individuals and businesses that do not pay their premiums will be pursued vigorously.

Individual Savings From Health Care Insurance Premium Elimination, 2009

(dollars)

Income	$20,000	$30,000	$50,000	$75,000	$125,000
Individual pays 100% of premium, employer offers no subsidy					
Single	383	528	528	528	528
One-income couple	0	570	1,056	1,056	1,056
Two-income couple	0	570	1,056	1,056	1,056
One-income family[a]	0	0	1,056	1,056	1,056
Two-income family[b]	0	0	1,056	1,056	1,056
Individual pays 50% of premium, employer offers 50% subsidy[c]					
Single	239	330	348	348	367
One-income couple	0	328	697	697	734
Two-income couple	0	328	660	697	697
One-income family[a]	0	0	697	697	734
Two-income family[b]	0	0	660	697	697
Individual pays 0% of premium, employer offers 100% subsidy[c]					
Single	96	132	169	169	206
One-income couple	0	86	338	338	412
Two-income couple	0	86	264	338	338
One-income family[a]	0	0	338	338	412
Two-income family[b]	0	0	264	338	338

a Includes single parents with one or more children.

b Family income is split 60/40 between spouses.

c Employees who have their premiums subsidized by their employers will receive some immediate benefit from premium elimination as they will no longer have to pay tax on the subsidy (the employer subsidy is treated as a taxable benefit).

ALBERTA FAMILY EMPLOYMENT TAX CREDIT

The Alberta Family Employment Tax Credit (AFETC) fulfills two objectives. It provides benefits to working families, who currently receive up to $1,604 each year. The refundable credit also assists families in moving off income support programs, by providing additional income as they work more, helping to compensate them for the loss of other benefits.

Beginning in July 2008, the government will enhance the credit, over and above annual inflation adjustments, by increasing benefits and making 20,000 more families eligible for the credit. The maximum benefit will be increased by 10%, to $669 for one child, $1,277 for two children, $1,642 for three children and $1,764 for four or more children. In addition, the point at which the credit starts to phase out will be increased by $5,000 to $32,633.

These changes will mean $25 million more each year for Alberta's lower and middle income families. About 115,000 families will benefit from this enhancement. Overall, 145,000 families receive the AFETC.

The Alberta Family Employment Tax Credit will be enhanced by $25 million, bringing total benefits to $111 million. 115,000 families will benefit from this enhancement.

The Enhanced Alberta Family Employment Tax Credit

(dollars)

Family incomes	$15,000	$25,000	$35,000	$45,000	$55,000	$65,000	$75,000
Families with one child							
Current	608	608	313	0	0	0	0
Enhanced	669	669	574	174	0	0	0
Additional benefit	61	61	261	174	0	0	0
Families with two children							
Current	979	1,161	866	466	66	0	0
Enhanced	979	1,277	1,182	782	382	0	0
Additional benefit	0	116	316	316	316	0	0
Families with three children							
Current	979	1,493	1,198	798	398	0	0
Enhanced	979	1,642	1,547	1,147	747	347	0
Additional benefit	0	149	349	349	349	347	0
Families with four or more children							
Current	979	1,604	1,309	909	509	109	0
Enhanced	979	1,764	1,669	1,269	869	469	69
Additional benefit	0	160	360	360	360	360	69

CAREGIVER/INFIRM DEPENDANT/DISABILITY/DISABILITY SUPPLEMENT AMOUNTS

Many people find themselves assuming financial responsibility for providing care for family members or actually providing the care themselves. The tax system recognizes this extra burden through several different tax credits, including the caregiver credit and the infirm dependant credit. Individuals with a disability can claim the disability credit, and if they are under 18, are also eligible for the disability supplement. In cases where these individuals do not have enough income to pay tax, these amounts can be transferred to parents or other relatives.

Credits for caregivers and individuals with disabilities will be significantly enhanced.

Effective for the 2008 tax year, each of these credit amounts will be enhanced by $5,000, on top of inflation indexing. The caregiver, infirm dependant and disability supplement amounts will more than double to $9,355, while the disability amount will rise by 67% to $12,466. In addition, income thresholds will be increased by $5,000, to $24,229 for the caregiver credit and to $15,535 for the infirm dependant credit, meaning more people can claim these credits.

In general, taxpayers who are currently claiming one of these credits will be able to receive an additional benefit from these changes of up to $500 each year. For individuals who are able to claim both the disability amount and the disability supplement, benefits could increase by up to $1,000.

These enhancements will be worth $20 million annually.

INDEXATION

Alberta indexes personal income tax credit amounts to prevent inflation from artificially increasing how much tax people have to pay. In 2008, amounts will be indexed by 4.7%. The decision to index means that nearly $132 million will stay with Albertans in 2008, rather than being paid to the government because of inflation.

Alberta's basic and spousal amounts are far and away the highest in Canada and mean that Albertans can make more money without paying any provincial income tax. Single Albertans who work can earn $17,100 before paying provincial income tax. A working family with two children that is eligible for the Alberta Family Employment Tax Credit can earn $41,100 before paying provincial income tax.

A working family with two children that is eligible for the Alberta Family Employment Tax Credit can earn $41,100 before paying provincial income tax.

Alberta Non-Refundable Tax Credit Block

(dollars)

	2007		2008	
	Maximum Amount	Deduction from Alberta Tax	Maximum Amount	Deduction from Alberta Tax
Basic personal amount	15,435	1,544	16,161	1,616
Spousal amount	15,435	1,544	16,161	1,616
Eligible dependant amount	15,435	1,544	16,161	1,616
Age amount	4,301	430	4,503	450
Infirm dependant amount	4,160	416	9,355	936
CPP contributions	1,990	199	2,049	205
Employment Insurance contributions	720	72	711	71
Pension income amount	1,189	119	1,244	124
Disability amount	7,131	713	12,466	1,247
Disability supplement	4,160	416	9,355	936
Tuition and education amounts	Variable	Variable	Variable	Variable
Adoption expenses	10,557	1,056	11,053	1,105
Medical expenses	Variable	Variable	Variable	Variable
Medical expenses (other dependants)	10,557	1,056	11,053	1,105
Caregiver amount	4,160	416	9,355	936
Interest on student loans	Variable	Variable	Variable	Variable
Donations and gifts				
- first $200	200	20	200	20
- over $200	75% of income	Variable	75% of income	Variable

In general, credit amounts are multiplied by 10% to arrive at the deduction from Alberta tax. In the case of donations and gifts over $200 the credit is 21%.

ALBERTA'S TAX ADVANTAGE IN CANADA, 2008

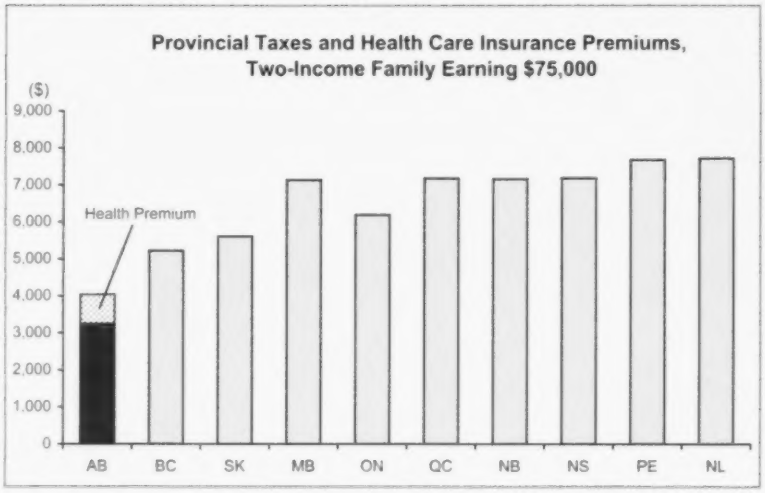
PERSONAL TAX ADVANTAGE

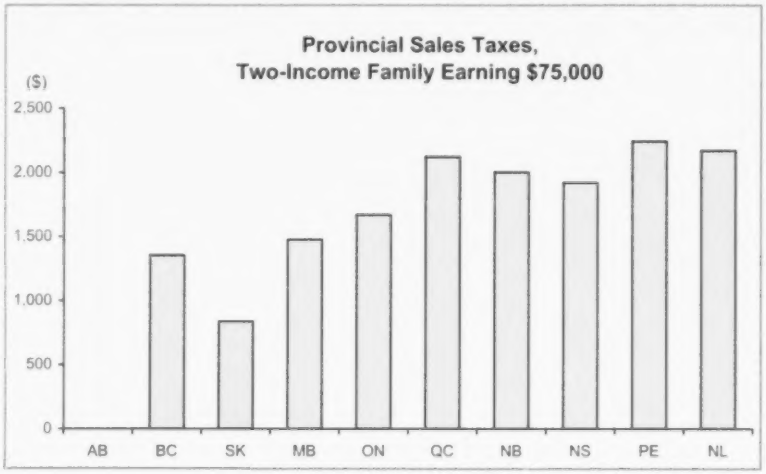
Albertans face the lowest taxes among provinces. Alberta has the highest basic and spousal amounts in Canada, which means that Albertans can earn more before starting to pay income taxes. Alberta also has a low single rate tax on personal income, at 10%. This is the lowest top marginal rate in Canada, rewarding work effort.

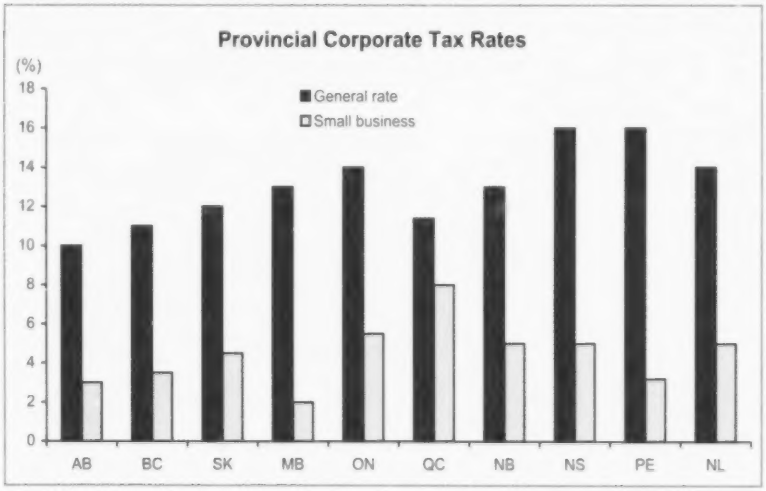
At some income levels, Albertans pay more in income taxes than they would in some other provinces. But the lack of a sales tax more than makes up for this. For example, a two-income family earning $75,000 could expect to pay about $1,300 in provincial sales tax in British Columbia and about $1,700 in provincial sales tax in Ontario. Overall, individuals pay less tax in Alberta. Alberta's advantage will be even greater once health care insurance premiums are eliminated on January 1, 2009.

CORPORATE TAX ADVANTAGE

Alberta has a strong corporate tax advantage, with the lowest general corporate tax rate and the second lowest small business tax rate among provinces. Alberta businesses also do not have to pay capital taxes, payroll taxes or general sales taxes on their inputs, as they would in other provinces.







CORPORATE TAXES

SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT CREDIT

Research and development is an important cornerstone of any knowledge-based economy and is essential for companies to compete in the global market. Because knowledge is easily transferable, the total benefits of research and development to a society can be greater than the benefits to the company doing the research. As a result, less research is done than might be optimal from a societal point of view.

Alberta will introduce a 10% refundable tax credit for research and development, with a maximum annual credit of $400,000 per company.

Government assistance through tax credits can provide additional incentives to help encourage companies to increase the amount of research to a more socially optimal level. Instead of selective tax credits that favour particular sectors, a credit for research and development applies to all sectors, making it less distortionary.

A refundable credit means that start-up and early-stage companies can benefit, even though they may not be paying income taxes.

To encourage Alberta companies to do more research and development and to make Alberta a more attractive location for knowledge intensive companies, the government will introduce a credit for expenditures on research and development. The credit will be effective for all expenditures incurred after December 31, 2008 that are also eligible for the federal Scientific Research and Experimental Development Credit. The credit will be worth 10% of a company's eligible expenditures up to $4 million, for a maximum credit of $400,000. It will be refundable for all companies.

This credit will be particularly important for start-up and early-stage companies. Because the credit is refundable, these companies will still be able to benefit from the credit even if they are not yet earning enough income to pay income taxes.

While it is difficult to determine the cost of a new credit, the annual benefit of the credit to Alberta companies is estimated to be worth $60 million and will grow over time. The government will monitor the credit's cost and its performance in encouraging companies to do research and development in Alberta.

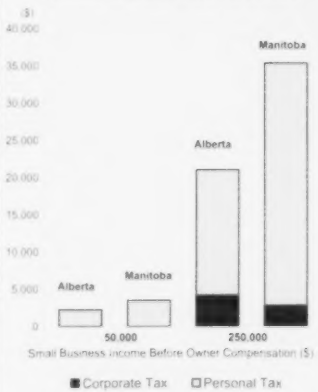
SMALL BUSINESS THRESHOLD/DIVIDEND TAX CREDIT

Alberta continues to reduce taxes on small business. As previously announced, the small business income threshold rose to $460,000 on April 1, 2008. The threshold is scheduled to rise further, to $500,000 on April 1, 2009.

Alberta's tax on small business income is 3%, second lowest only to Manitoba. Nevertheless, Alberta's low personal income tax regime means that Alberta still has the lowest overall taxes on small business owners when they take money out of their companies for personal use.

As indicated in *Budget 2007*, Alberta has been examining some technical issues relating to recent provincial and federal changes to the dividend tax credit. The credit now has two tiers, with an enhanced credit that applies to dividends paid out of income taxed at the federal general corporate income tax rate and a

Provincial Taxes Paid by a Small Business Owner



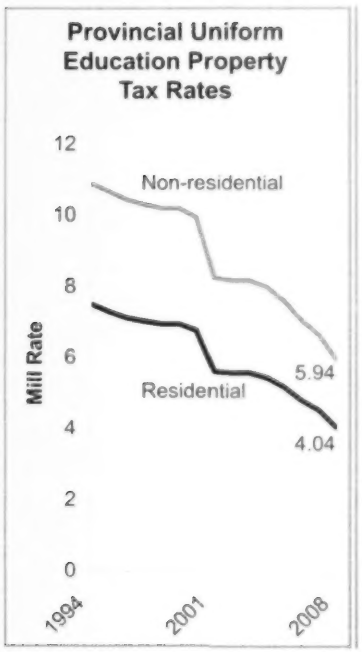
This chart shows the combined taxes paid when income is taken out of the corporation. It assumes that income will be taken as salary to maximize RRSP contributions, with the remainder taken as dividends.

smaller credit that applies to dividends paid out of income taxed at the federal small business rate.

Because the province's small business threshold is higher than the federal government's, some small businesses will generate income which is taxed at the small business rate provincially, but is eligible for the enhanced dividend tax credit when it is withdrawn from the business. This means that some personal income is only taxed at an effective rate of 3%. Alberta will bring in changes to increase tax on this income to 10%. The objective is to ensure that employment income and active small business income are ultimately taxed the same. Further technical details will be available when the legislation is introduced.

CORPORATE TAX AVOIDANCE UPDATE

In *Budget 2007*, the government noted its intention to take steps to fight several tax avoidance schemes. Over the past year, the government has devoted more resources to this task. A dedicated team of auditors has been established and, in cooperation with other provinces and the federal government, has made significant progress in detecting and fighting these schemes. The government will continue to take the steps necessary to protect the provincial tax base, in fairness to the vast majority of Albertans and Alberta businesses who comply with the letter and spirit of the tax laws.



EDUCATION PROPERTY TAXES

Property taxes in Alberta are levied by both the province and municipalities. The provincial education property tax is a stable source of revenue for Alberta's basic education system and will cover about 30% of funding for the system, not including infrastructure, in 2008-09. All Albertans, even those who do not have school-age children, benefit from stable funding for basic education. A strong education system is key to Alberta's future.

In 2008, education property tax rates will fall by about 10.6%. The residential/farm property rate will fall from $4.52 to $4.04 per $1,000 of equalized assessment. The non-residential rate will fall from $6.64 to $5.94 per $1,000 of equalized assessment. This marks the 15th consecutive year in which the provincial government has either reduced or frozen its property tax rates, for total reductions of about 46%.

The government's policy is to lower education property tax rates to offset inflationary growth in property values. Further, since 2004, seniors are protected from increases to education property taxes. These policies continue to help property owners in Alberta pay among the lowest property taxes in the country.

PROVINCIAL RESPONSE TO FEDERAL BUDGET

CAPITAL COST ALLOWANCE RATES

In its 2008 budget, the federal government announced a number of changes to its capital cost allowance rates. Included in the changes are an extension of the

existing accelerated rate for manufacturing and processing equipment, and increases to the rates for certain types of equipment used in clean energy generation, railway locomotives and carbon dioxide pipelines and related equipment.

Alberta will parallel these changes for provincial tax purposes.

TAX–FREE SAVINGS ACCOUNTS

The federal government also announced its plan to introduce Tax-Free Savings Accounts (TFSAs), beginning in 2009. Alberta is pleased to see the introduction of these accounts, especially as TFSAs will improve the incentives to save, which will also have positive effects on long-term economic growth.

Because TFSAs alter the definition of taxable income, Alberta will automatically parallel this measure. Taxpayers will not be subject to provincial income tax on income earned in a TFSA.

ROYALTY REVIEW

In December 2006, the Minister of Finance was given a mandate by the Premier to conduct a public review to ensure Albertans are receiving a fair share from energy development through royalties, taxes and fees.

The expert panel appointed by the Minister issued its report on September 18, 2007. For a full version of the Panel's report, go to http://www.albertaroyaltyreview.ca. The Department of Energy was directed to review the Panel's report and make recommendations to the government.

The government's response to the Panel's report was issued on October 25, 2007. It is outlined in *The New Royalty Framework* report, which is available at http://www.energy.alberta.ca/About_Us/1293.asp. Key elements of Alberta's new royalty system, scheduled to take effect on January 1, 2009, include the following.

CONVENTIONAL OIL

- The government will simplify royalties for conventional oil, eliminating specialty royalty programs and "old" and "new" tiers. Royalties will be set by a single sliding royalty rate formula containing separate elements that account for oil price and well production.
- Overall, royalty rates will increase from the current maximums of 30% and 35% for old and new tiers. The new rates will range up to 50%, and rate caps will be raised to Cdn $120 per barrel.

NATURAL GAS

- Natural gas royalties will be set by a single sliding rate formula sensitive to price, production volume and well depth.
- Royalty rates, currently 5% to 35%, will range from 5% to 50%, with rate caps at Cdn $16.59/GJ (gigajoule).

OIL SANDS

- The existing "Revenue minus Cost" or "R-C" royalty structure will be retained. Oil sands royalties will continue to be paid on the basis of the net revenues or profits of each individual oil sands project.
- Under the new system, the base or startup royalty rate will change from a flat rate of 1% to a variable, price-sensitive rate. The base rate will start at 1%, and increase for every dollar that oil is priced above Cdn $55 per barrel, to a maximum of 9% when oil is priced at Cdn $120 or higher.
- The net royalty (applied post-payout) will also change from a flat to a variable, price-sensitive rate. Under the current system, the net royalty is fixed at 25% of net project revenue. In the future, the net royalty will start at 25% and increase for every dollar that oil is priced above Cdn $55 per barrel, to a maximum rate of 40% when oil is priced at Cdn $120 or higher.
- The government will not grandfather existing oil sands projects.
- The government will adopt a permanent generic "bitumen valuation methodology" by June 30, 2008, after consulting with stakeholders and individual advisors. It will apply to projects with insufficient third party sales of bitumen.
- The government will consider options to encourage upgrading of bitumen in Alberta. These options may include taking bitumen royalty in kind, rather than cash.

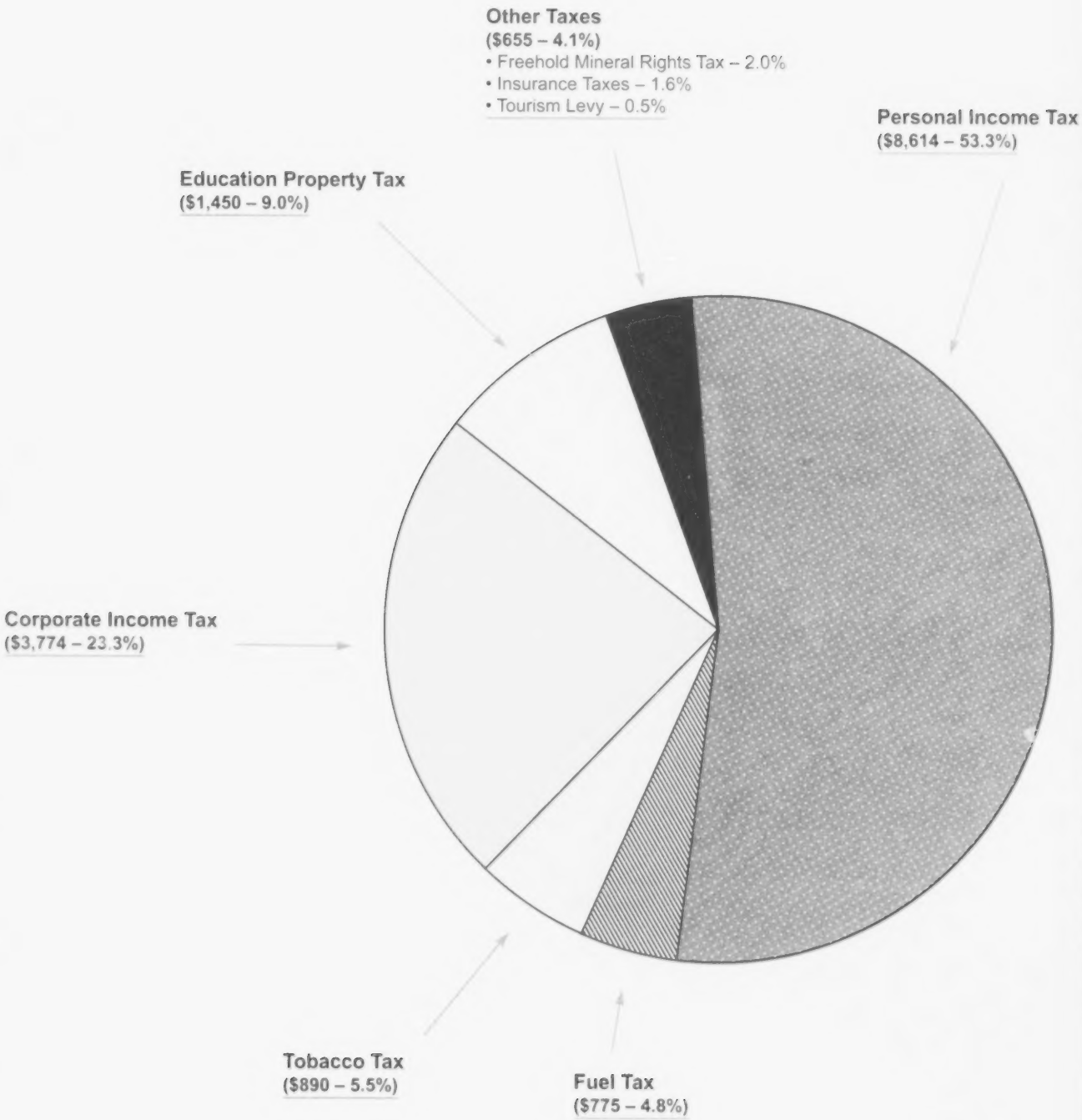
ACCOUNTABILITY

- The government appointed former provincial auditor Peter Valentine to review the systems in place supporting the collection, verification and reporting of provincial revenues arising from conventional oil, natural gas and oil sands.
- Mr. Valentine's report, containing 13 recommendations, was released on April 7, 2008 and is available at: http://www.energy.gov.ab.ca/Org/pdfs/Valentine_ABRoyalty.pdf. The Government of Alberta will implement all the recommendations.

TAX TABLES AND CHARTS

2008–09 Tax Revenue ($16,158 million)

(millions of dollars)



2008–09 Revenue from Tax Sources

(millions of dollars)

Tax	Total Revenue	Tax Rate	Revenue per Unit of Tax
1. Personal Income Tax	**8,614**		
Single-rate tax	8,725	10.0%	872.5 per point
Family Employment Tax Credit	(111)		n/a
2. Corporate Income Tax	**3,774**		
General	3,204	10.0%	320.4 per point
Small business	570	3.0%	190.0 per point
3. Education Property Tax [a]	**1,450**		
Residential/farm property	843	$4.04/$1,000 of assessment	208.7 per mill
Non-residential	607	$5.94/$1,000 of assessment	102.2 per mill
4. Tobacco Tax	**890**	$37/carton	24.1 per $/carton
5. Fuel Tax	**775**		
Gasoline and diesel	754	9.0 ¢/litre	83.8 per ¢/litre
Propane	4	6.5 ¢/litre	0.6 per ¢/litre
Aviation	13	1.5 ¢/litre	8.7 per ¢/litre
Railway	4	1.5 ¢/litre	2.7 per ¢/litre
6. Freehold Mineral Rights Tax	**318**		n/a
7. Insurance Taxes	**263**		
Life, accident, sickness	70	2% of premium	35.0 per point
Other	193	3% of premium	64.3 per point
8. Tourism Levy	**74**	4.0%	18.5 per point

[a] Does not include revenue of approximately $187 million raised for opted-out school boards.

Interprovincial Tax and Health Care Insurance Premium Comparison, 2008

(dollars)

	AB	BC	SK	MB	ON	QC	NB	NS	PE	NL
Employment Income of $30,000 – One Income Family with Two Children										
Provincial income tax	**(1,141)**	530	(614)	305	(380)	(4,217)	740	902	1,066	1,168
Provincial sales tax	**-**	666	375	897	880	1,096	1,203	1,144	1,335	1,279
Health care premium	**-**	-	-	-	225	-	-	-	-	-
Payroll tax	**-**	-	-	222	273	631	-	-	-	157
Fuel tax	**270**	435	450	345	441	456	321	465	474	495
Total	**(871)**	1,631	211	1,769	1,439	(2,034)	2,264	2,511	2,875	3,099
Alberta Advantage										
including Alberta premiums		2,502	1,082	2,640	2,310	(1,163)	3,135	3,382	3,746	3,970
excluding Alberta premiums*		2,502	1,082	2,640	2,310	(1,163)	3,135	3,382	3,746	3,970
Employment Income of $75,000 – Two Income Family with Two Children										
Provincial income tax	**2,839**	2,245	4,096	4,585	2,615	2,790	4,677	4,568	4,727	4,422
Provincial sales tax	**-**	1,354	838	1,477	1,670	2,124	2,003	1,920	2,245	2,171
Health care premium	**792**	972	-	-	563	-	-	-	-	-
Payroll tax	**-**	-	-	555	681	1,577	-	-	-	392
Fuel tax	**405**	653	675	518	662	684	482	698	711	743
Total	**4,036**	5,224	5,609	7,135	6,191	7,175	7,162	7,186	7,683	7,728
Alberta Advantage										
including Alberta premiums		1,188	1,573	3,099	2,155	3,139	3,126	3,150	3,647	3,692
excluding Alberta premiums*		1,980	2,365	3,891	2,947	3,931	3,918	3,942	4,439	4,484
Employment Income of $125,000 – Two Income Family with Two Children										
Provincial income tax	**7,036**	5,463	9,311	10,124	6,283	10,723	10,757	10,785	10,349	10,174
Provincial sales tax	**-**	2,082	1,264	2,226	2,546	3,068	3,000	2,868	3,383	3,260
Health care premium	**792**	972	-	-	788	-	-	-	-	-
Payroll tax	**-**	-	-	925	1,136	2,628	-	-	-	654
Fuel tax	**405**	653	675	518	662	684	482	698	711	743
Total	**8,233**	9,170	11,250	13,793	11,415	17,103	14,239	14,351	14,443	14,831
Alberta Advantage										
including Alberta premiums		937	3,017	5,560	3,182	8,870	6,006	6,118	6,210	6,598
excluding Alberta premiums*		1,729	3,809	6,352	3,974	9,662	6,798	6,910	7,002	7,390

* Alberta's Health Care Insurance Premium will be eliminated effective January 1, 2009.

Calculations are based on other provinces' tax parameters known as of April 3, 2008.

Assumptions:

- Business is assumed to bear between 25% and 60% of the provincial sales tax, depending upon the provincial tax regime.
- Health care insurance premiums are net of premium subsidies.
- In provinces that impose payroll taxes, 75% is assumed to be borne by employees and 25% by employers. The same 75/25 split is assumed for the net health care insurance premiums.
- Fuel tax is based on estimated consumption of 3,000 litres per year for one-income families and 4,500 litres for two-income families.
- RRSP/RPP contributions of $1,000, $9,700 and $16,800 are included in the calculation of personal income tax for the $30,000, $75,000 and $125,000 families, respectively.
- For two-income families, income and RRSP/RPP contributions are split 60/40 between the two spouses.
- The children in each family are assumed to be 6 and 12 years old.

Major Provincial Tax Rates, 2008

		AB	BC	SK	MB	ON	QC	NB	NS	PE	NL
Personal Income Tax											
Statutory rate range											
- lowest rate	(%)	**10.00**	5.24[a]	11.00	10.90	6.05	16.00[b]	10.12	8.79	9.80	8.70
- highest rate	(%)	**10.00**	14.70	15.00	17.40	11.16	24.00[b]	17.95	17.50	16.70	16.50
Surtax	(%)	-	-	-	-	20.0/36.0	-	-	10.0	10.0	-
Personal amount	($)	**16,161**	9,189	8,945	8,034	8,681	10,215	8,395	7,731	7,708	7,566
Spousal amount	($)	**16,161**	7,868	8,945	8,034	7,371	10,215	7,129	6,565	6,546	6,183
Corporate Income Tax											
General rate	(%)	**10.0**	11.0[d]	12.0[c]	13.0[d]	14.0	11.4	13.0	16.0	16.0	14.0
M&P rate	(%)	**10.0**	11.0[d]	10/12[e]	13.0	12.0	11.4	13.0	16.0	16.0	5.0
Small business											
- rate	(%)	**3.0**	3.5[d]	4.5	2.0	5.5	8.0	5.0	5.0	3.2	5.0
- threshold	($000)	**460**	400	500[c]	400	500	400	400	400	400	400
Capital Tax											
General	(max.%)	-	-	-[c]	0.4	0.225	0.36	0.10	0.20[f]	-	-
Financial institutions	(max.%)	-	3.0	3.25	3.0	0.675	0.97[g]	3.0	4.0	5.0	4.0
Retail Sales Tax	(%)	-	7.0	5.0	7.0	8.0	7.5[h]	8.0	8.0	10.0[h]	8.0
Gasoline Tax	(cents/litre)	**9.0**	16.9[j]	15.0	11.5	14.7	15.2[j]	10.7[k]	15.5[k]	15.8[k]	16.5[k]
Tobacco Tax	(dollars/carton)	**40.00**	35.80	36.60[i]	35.00[i]	24.70	20.60	23.50[i]	33.04[i]	34.90	36.00[i]
Payroll Tax	(max.%)	-	-	-	2.15	1.95	4.26[l]	-	-	-	2.00

Rates for other provinces known as of April 3, 2008.

a British Columbia's lowest personal income tax rate will decrease from 5.35% to 5.24% on July 1, 2008. The general corporate income tax, M&P and small business rates will also decrease from 12%, 12% and 4.5% respectively on July 1, 2008.

b Quebec residents receive an abatement of 16.5% of basic federal tax in lieu of federal cash transfers to Quebec for several social programs.

c Saskatchewan's general corporate rate will be reduced to 12% from 13% and the small business threshold increased to $500,000 from $450,000 effective July 1, 2008. The general capital tax will be eliminated on July 1, 2008. The current rate is 0.15%.

d Manitoba's corporate tax rate will fall to 13% from 14% on July 1, 2008.

e The general corporate income tax rate is reduced by up to 2 points based on the share of a corporation's national manufacturing and processing income allocated to Saskatchewan.

f Nova Scotia's general capital tax rate will fall to 0.2% from 0.225% on July 1, 2008.

g Quebec's financial institutions capital tax includes a base rate of 0.72% and a compensatory tax of 0.25%.

h These provinces apply their retail sales tax on the retail price of the good inclusive of the Goods and Services Tax.

i These provinces apply their retail sales tax on the retail price of the good inclusive of the particular excise tax.

j The British Columbia rate includes a 2.4¢/litre carbon tax on gasoline, which will begin on July 1, 2008. An additional 6¢/litre is imposed in the greater Vancouver area and 3.5¢/litre in Victoria. An additional 1.5¢/litre is imposed in Montreal.

k This rate is based on a 7.1¢/litre base rate and 10.7% of the average wholesale price and is calculated on a monthly basis. The total tax rate is capped at 15.8¢/litre.

l Quebec levies an additional tax of up to 2% on the wages of financial institutions that is not included in this rate.

Top Marginal Personal Income Tax Rates, 2008

(%)

	AB	BC	SK	MB	ON	QC	NB	NS	PE	NL
Federal	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00
Provincial	10.00	14.70	15.00	17.40	17.41[b]	24.00	17.95	19.25[b]	18.37[b]	16.50
Federal abatement[a]						(4.79)				
Total	39.00	43.70	44.00	46.40	46.41	48.21	46.95	48.25	47.37	45.50

Rates for other provinces known as of April 3, 2008.

a Quebec residents receive an abatement of 16.5% of basic federal tax in lieu of federal cash transfers to Quebec for several social programs. This reduces the top federal rate of 29% by 16.5%, or 4.79% of taxable income.

b This rate includes the impact of the provincial surtax.

RESPONSE TO THE AUDITOR GENERAL

RESPONSE TO THE AUDITOR GENERAL

Budget 2008
THE RIGHT PLAN FOR
TODAY & TOMORROW

Response to the Auditor General

Every year the Auditor General prepares an annual report on the scope and findings of the work carried out by the Office of the Auditor General. The following are the numbered recommendations in the Auditor General's 2006-07 Annual Report and the government's response to each of them.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Assessing and Prioritizing Alberta's Infrastructure Needs	
1. **Roles and responsibilities need to be better defined and understood** We recommend that the Department of Treasury Board, working with departments, finish developing the guidelines describing roles and responsibilities for assessing and prioritizing individual infrastructure projects. It should then communicate the guidelines and develop processes for monitoring departments' compliance with the guidelines.	**Accepted.** The Department of Treasury Board has already started work on several key policy documents that should address this recommendation. All the documents are expected to be approved or implemented by August 2008.
2. **Capital Plan needs to reduce deferred maintenance and consider life-cycle costs** We recommend that the Department of Treasury Board, in consultation with departments, develop objectives, timelines, and targets for reducing deferred maintenance, and include information on reducing deferred maintenance in the province's Capital Plan.	**Accepted in principle.** The audit report focuses on deferred maintenance. The Department of Treasury Board believes the focus should be on Capital Maintenance and Renewal on a moving forward basis to ensure decisions related to maintenance are risk based, and focus on all maintenance requirements, not just those that have been deferred. The Department will undertake a number of actions to address this recommendation, with completion targeted for August 2009.
3. **Capital Plan needs to reduce deferred maintenance and consider life-cycle costs** We recommend that the Department of Treasury Board: • Require life-cycle costing information for proposed infrastructure projects, and • Establish a process to ensure public infrastructure assets are properly maintained over their life.	**Accepted.** The project evaluation process with templates that include information on life cycle costing information will be standardized by August 2008. The post-implementation reviews of selected major projects to evaluate the accuracy and validity of cost estimates is an ongoing project. The Department of Treasury Board is working towards better coordination between the capital planning process and approval of operating budgets.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
4. Process to prioritize individual infrastructure projects needs improving We recommend that the Department of Treasury Board improve the process to evaluate proposed infrastructure projects that ministries submit.	**Accepted.** The Department of Treasury Board will review and update the process to evaluate proposed projects in collaboration with other ministries, including a review and validation of project evaluation criteria. The review and updates will be completed by June 2008.
5. Process to prioritize individual infrastructure projects needs improving We recommend that the Department of Treasury Board, working with the Treasury Capital Planning Committee, examine how the current information provided to Treasury Board can be improved.	**Accepted.** The Department of Treasury Board will work with the Chair of Treasury Capital Planning Committee to define the information requirements of his Committee and Treasury Board Committee. The Department will finish the initial assessment by April 2008 and will review the requirements annually thereafter.
Child Intervention Services	
6. Enhanced child intervention standards We recommend that the Department of Children's Services review and update child intervention standards in support of its new Casework Practice Model.	**Accepted.** The Department has developed and approved a work plan for the review and revision of the Child Intervention Standards as required, in support of the new Casework Practice Model. Full implementation is to coincide with the provincial roll-out of the Casework Practice Model in 2008-09.
7. Accreditation systems for service providers We recommend that the Department of Children's Services evaluate the cost-effectiveness of accreditation systems and the assurance they provide.	**Accepted.** The Department will re-evaluate the standards in the four recognized accreditation bodies to ensure their standards meet or exceed the standards set for Alberta service providers. The review will be completed in 2007-08; full implementation of this recommendation will be completed by March 2009.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
8. Department compliance monitoring We recommend that the Department of Children's Services improve compliance monitoring processes by: • Incorporating risk-based testing in case-file reviews, • Providing feedback to casewokers on monitoring results of case-file reviews, and • Obtaining and analyzing information on Authorities' monitoring of service providers.	**Accepted.** Development of an implementation plan for this recommendation is underway and will be fully implemented in 2008-09.
Energy's Royalty Review Systems	
9. Royalty regime objectives and targets We recommend that the Ministry of Energy clearly describe and publicly state the objectives and targets of Alberta's royalty regimes.	**Accepted in principle.** A project is being initiated to assess and make improvements in the systems, structures and resources supporting the collection, verification and reporting of provincial revenues arising from conventional oil, natural gas and oil sands. This initiative will provide clarity on the goals of the province's non-renewable resource revenue regime; ensure the government has the systems and processes in place to assess the performance of royalty policy and collection of non-renewable resources; and ensure complete and timely reporting to Albertans on royalties collected. The project will be led by former Auditor General Peter Valentine, who will report to the Premier by March 2008.
10. Planning, coverage, and internal reporting We recommend that the Department of Energy improve the planning, coverage, and internal reporting of its royalty review work.	**Accepted in principle.** See response to recommendation 9.
11. Improving annual performance measures We recommend that the Department of Energy improve its annual performance measures that indicate royalty regime results.	**Accepted in principle.** See response to recommendation 9.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
12. Periodic public information We recommend that the Department of Energy periodically report on the province's royalty regimes. Periodic public reports should use the methods and tools of technical review to: • Provide information to owners, MLAs, and stakeholders about the performance and issues for Alberta's royalty regimes, and • Demonstrate the Department's capacity and methodology to analyze its royalty regimes.	**Accepted in principle.** See response to recommendation 9.
13. Enhancing controls We recommend that the Department of Energy enhance controls for its monitoring and technical review work.	**Accepted in principle.** See response to recommendation 9.
The Government's Revenue Forecasting Systems	
14. Corporate income tax forecast We recommend that the Department of Finance improve its model for estimating corporate taxable income.	**Accepted.** The Department of Finance expects development and testing of alternative forecasting models to be completed by the end of 2008.
15. Estimating corporate income tax refunds We recommend that the Department of Finance: • Improve its method for estimating corporate income tax refunds payable, and • Adjust forecasted corporate income tax revenue to reflect actual results as soon as the information is available.	**Accepted.** The Department of Finance is currently evaluating several different models to improve estimates of corporate income tax refunds payable. The Department expects the model to be complete by December 2007 and will make any necessary adjustments in the 2007-08 fiscal year.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
16. Public reporting of revenue forecasts We recommend that the Department of Finance enhance the public reporting of revenue forecasts by: • Explaining the difference between the government's non-renewable resource revenue forecast and those of other private sector forecasters, • Disclosing investment income sensitivity to changes in rate of return earned on equity investments, and • Explaining the expected range for the government's total revenue forecast including the reasonability of previous forecasts.	**Accepted in principle.** The Department of Finance will examine methods to enhance the public reporting of revenue forecasts.
Cross-Ministry	
17. Government credit cards We recommend that the Department of Treasury Board, working with all other Departments, further improve controls for the use of government credit cards by: • Communicating responsibilities to all cardholders, • Clarifying the support required to confirm both the nature and purpose of transactions, and • Providing guidance to senior financial officers and accounting staff on dealing with significant non-compliance.	**Accepted.** The Department of Treasury Board will work to ensure the Expenditure Officer and Accounting Officer manuals are updated with a section on government credit cards and will develop a resolution model on how to deal with non-compliance by March 2008. This issue will also be discussed at Senior Financial Officer's Council to raise awareness on cardholder responsibilities by December 2007.
Advanced Education and Technology	
18. University of Calgary – Information technology (IT) governance and control framework We recommend that the University of Calgary implement an Information Technology governance and control framework.	**Accepted.** The University of Calgary has made significant progress in defining and communicating its target governance model with stakeholders. By the end of 2007-08, the University aims to have an effective governance model in place and used in decision-making over its administrative portfolio. This will serve as a basis for future extension to its academic, research, and community service portfolios.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
19. Grant MacEwan College – Financial processes We again recommend that Grant MacEwan College improve its financial processes and controls to increase efficiency and accuracy in financial reporting. (2000-2001, No. 39)	**Accepted.** The Auditor General's recommendation relates to the College's June 30, 2006 financial statements. Grant MacEwan College has subsequently implemented changes to its financial processes and controls. As a result, the College prepared June 30, 2007 statements without issues within the scheduled time frame.
20. Grande Prairie Regional College – Financial processes We recommend that the Grande Prairie Regional College improve its processes and controls over financial reporting with the goal of increasing efficiency in preparing accurate internal and external financial reports.	**Accepted.** Grande Prairie Regional College has phased in the preparation of quarterly financial statements commencing March 31, 2007. The College has created a new position responsible for preparing monthly and quarterly financial reports that will be distributed to the signing authorities for all cost centres.
21. University of Lethbridge – IT internal framework We recommend that the University of Lethbridge implement an information technology control framework.	**Accepted.** The University of Lethbridge is implementing improvements to address the control weaknesses identified. The University has hired an Information Security Manager to facilitate the development, improvement, compliance, and support of information security across the entire university community.
Education	
22. Purchase of textbooks We again recommend that the Department of Education implement a system to periodically evaluate the savings generated by the Learning Resources Centre. (2004-2005, No. 27)	**Accepted.** Sales will be segregated into component types and extrapolations made to estimate the total annual savings. Results will be completed by March 2008.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Employment, Immigration and Industry	
23. Information technology control environment We recommend that the Ministry of Employment, Immigration and Industry: • Develop service level agreements with information technology service providers that clearly define expected services, and • Establish processes to obtain assurance that these service providers consistently meet service level requirements and that control activities performed by the providers are operating effectively.	**Accepted.** The Department of Employment, Immigration and Industry will be working with Children's Services, as well as Seniors and Community Supports, (the three departments obtaining services from Service Alberta, CGI, and IBM) to develop joint service agreements. Departmental officials are also working directly with the Office of the Auditor General to identify appropriate types of reviews and audits that will assist in clearly defining expected services to be included in the agreements. It is expected that the process will be completed by March 2008.
Energy	
24. Energy and Utilities Board IT control framework We recommend that the Alberta Energy and Utilities Board (EUB) implement an IT control framework to mitigate identified risks to the organization.	**Accepted.** The Alberta Energy and Utilities Board is undertaking an IT General Computer Controls Program which will be implemented in two phases. Phase 1 will meet the 3 year implementation timeline expected by the Auditor General's recommendations. The Program will continue with Phase 2 addressing critical non-financial systems.
Finance	
25. Alberta Investment Management – Controls over derivative contracts We recommend that Alberta Investment Management improve internal controls over its use of derivative contracts by: • Monitoring the credit worthiness of approved derivative counterparties, • Obtaining derivative confirmations from counterparties, • Tracking missing and incomplete derivative confirmations, and • Confirming the details of forward contracts with counterparties.	**Accepted.** The Ministry of Finance has instituted a report to better control overdue derivative confirmation agreements. A process has also been established to identify credit status issues related to counterparties and inform the Chief Investment Officer of materially adverse changes in credit status. The possibility of errors on forward contracts is minimized by Alberta Investment Management's practice of settling on a net amount agreed to in advance of settlement on forward contracts.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
26. Alberta Treasury Branches – Processes to confirm compliance with Alberta Finance Guideline	
We recommend that Alberta Treasury Branches: • Improve the processes for confirming its compliance with the Alberta Finance Outsourcing of Business Activities, Functions and Processes Guideline, and • Review and assess which ATB staff should be responsible for ensuring compliance with the Alberta Finance Outsourcing of Business Activities, Functions and Processes Guideline.	**Accepted.** Alberta Treasury Branches will reaffirm the appropriateness of processes governing outsourced arrangements, including determinations as to materiality and risk management, and identify any improvements necessary this year. Improvements identified will be implemented before the next annual compliance certification process in the fall of 2008.
Health and Wellness	
27. Outsourced environment	
We recommend that the Department of Health and Wellness obtain regular assurance that outsourced information and technology is properly controlled.	**Accepted.** The Department of Health and Wellness will contract for the completion of a CICA Section 5970 audit to be performed on the outsourced environment during the 2007-08 fiscal year. The Department will undertake remediation activities to address any serious deficiencies or issues identified with the information technology controls discovered through the course of the audit and will incorporate on-going activities in the annual business cycle.
28. Calgary Health Region	
We recommend that the Calgary Health Region: • Apply its uniform, formalized change-management procedures to all significant applications, and • Document all program changes and related controls.	**Accepted.** The Calgary Health Region will continue to promote that all changes should go through the formal IT change control process and will ensure that documentation will be maintained and retained for all submitted changes. Ad hoc and annual internal audits of the change management process are being conducted by the Region's IT Security Office. These actions will be implemented in the 2007-08 fiscal year.
29. Calgary Health Region – Inappropriate user access	
We recommend that the Calgary Health Region regularly review all user accounts and roles assigned within systems and applications for inappropriate access privileges.	**Accepted.** The Calgary Health Region has implemented a process to regularly review access privileges. On a quarterly basis, functional managers responsible for the various financial applications and modules are provided a report of all users and their respective access. Managers are required to review and identify required changes to access. A monthly report is also provided to managers that identifies inappropriate combinations of responsibilities.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
30. Calgary Health Region – Contracting for consulting services	
We recommend that the Calgary Health Region follow its contract-management policy and processes in awarding contracts for consulting services.	**Accepted.** The Calgary Health Region has reminded management of the contract management policy and processes to be followed. Review of contracts and compliance with management policies and processes is a regular ongoing component to the Internal Audit and Risk Management department's audit plans.
Justice and Attorney General	
31. Information technology security	
We recommend that the Ministry of Justice develop and document Information Technology security policies.	**Accepted.** The Department of Justice has commenced an initiative that will lead to the development and documentation of ministry level Information Technology Security Policies, related procedures, and roles and responsibilities related to the implementation and subsequent compliance to these procedures. In addition to the recruitment of a Corporate Information Security Officer, these policies and procedures will be drafted by the end of fiscal year 2007-08. Full implementation and compliance is targeted for the end of fiscal year 2008-09.
Service Alberta	
32. Service level agreements between Service Alberta and its client ministries	
We recommend that the Ministry of Service Alberta, working with its client ministries, revise their information technology service level agreements to: • Ensure that the agreements are current, • Clarify the level of services provided in each service category, and • Define the roles and responsibilities of each party.	**Accepted.** Service Alberta is completing Service Level Agreements with ministries that will clarify the level of services provided and the roles of ministries and Service Alberta so that responsibilities are clearly defined.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Sustainable Resource Development	
33. Requests for proposals to ensure the province gets the best possible value that can be obtained given government objectives We recommend that the Department of Sustainable Resource Development evaluate whether government objectives could be met by introducing requests for proposals from all interested parties whenever an entity applies to put substantial improvements on public land.	**Accepted in principle.** The Department will carefully evaluate whether government objectives can be better met through the use of Request for Proposals or other competitive processes to all interested parties where appropriate. The Department is currently in the process of acquiring private sector resources to develop a revised policy and process for managing and administering proposals for commercial tourism developments on public lands. This is expected to be completed during the fiscal year ending March 2008.
34. Natural Resources Conservation Board – Rank compliance and enforcement activities based on risk We again recommend that the Natural Resources Conservation Board rank its compliance and enforcement activities based on risk. To do so, the Board must: • Define through research the environmental risks applicable to CFOs (confined feeding operations) and their impact, • Categorize CFOs by priority levels of environmental risk at different locations, • Conduct appropriate sampling and testing to confirm the validity of assigned risk levels, and • Select and deliver appropriate compliance and enforcement action. (2003-2004, No. 28)	**Accepted in principle.** The Natural Resources Conservation Board is working in cooperation with Alberta Agriculture and Food, Alberta Environment and industry experts to develop the necessary risk data and protocols for an effective compliance program. A risk screening tool is also being developed to address recommendations made in the Auditor General's report. A prototype of the tool will be ready for testing and implementation by early 2008-09.

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